

**SCHOOL DISTRICT OF THE  
BOROUGH OF BUTLER  
COUNTY OF MORRIS, NEW JERSEY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

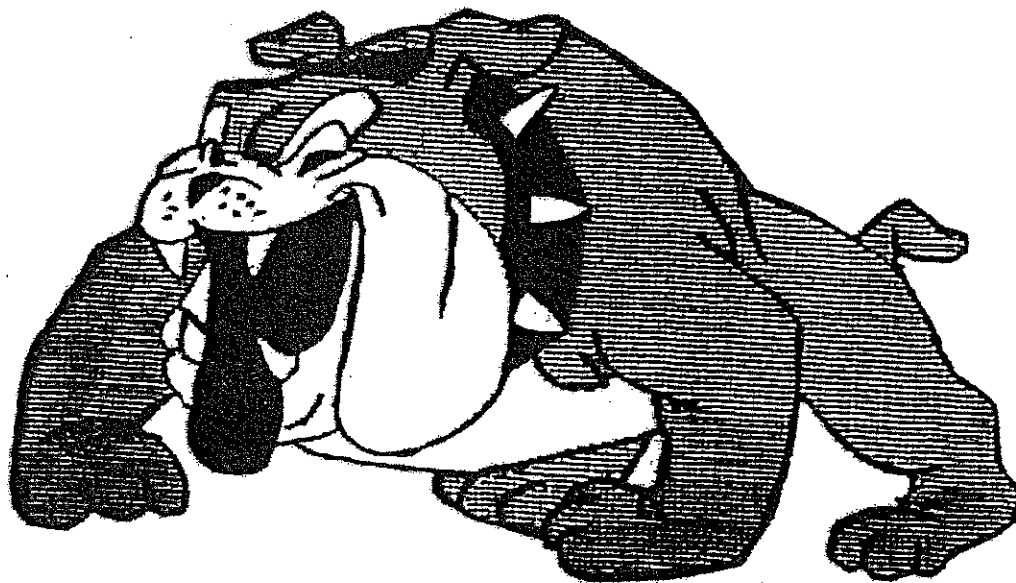
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the**

**Borough of Butler School District**

**Board of Education**

**Butler, New Jersey**

**For the Fiscal Year Ended June 30, 2012**



Prepared by

Borough of Butler School District  
Board of Education  
Finance Office

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BOROUGH OF BUTLER SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal .....	1 - 6
Organizational Chart .....	7
Roster of Officials .....	8
Consultants and Advisors .....	9
 FINANCIAL SECTION	
Independent Auditor's Report .....	10 - 11
 <u>Required Supplementary Information - Part I</u>	
Management's Discussion and Analysis .....	12 - 21
 Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets .....	22
A-2 Statement of Activities .....	23
 B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet .....	24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance .....	25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26
Proprietary Funds:	
B-4 Statement of Net Assets .....	27
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	28
B-6 Statement of Cash Flows .....	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets .....	30
B-8 Statement of Changes in Fiduciary Net Assets .....	31
 Notes to the Basic Financial Statements .....	33 - 55

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)	<u>Page</u>
<u>Required Supplementary Information - Part II</u>	
C. Budgetary Comparison Schedule	
C-1 Budgetary Comparison Schedule - General Fund .....	56 - 65
C-1b Education Jobs Fund - Budget and Actual .....	66
C-2 Budgetary Comparison Schedule - Special Revenue Fund .....	67
C-3 Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation .....	68
<u>Other Supplementary Information</u>	
D. School Level Schedules (if applicable):	
D-1 Combining Balance Sheet .....	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual .....	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual .....	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	69
E-1a Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	70
E-1b Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	71
E-1c Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....	72
E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-5 Instructional Supplemental Aid - Schedule of Expenditures - Budgetary Basis .....	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Changes .....	73
F-1a Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - 2004 District Wide Building and Site Improvements ..	74
F-1b Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Technology and Security Upgrades - Butler High School .....	75



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)	<u>Page</u>
F. Capital Projects Fund: (continued)	
F-1c Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Technology and Security Upgrades - Aaron Decker Elementary School. ....	76
F-1d Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Technology and Security Upgrades - Butler Middle School .....	77
F-2 Summary Schedule of Projected Expenditures .....	78
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Statement of Net Assets .....	79
G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets .....	80
G-3 Statement of Cash Flows .....	81
Internal Service Fund:	
G-4 Statement of Net Assets .....	82
G-5 Statement of Revenues, Expenses and Changes in Fund Net Assets .....	83
G-6 Statement of Cash Flows .....	84
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets .....	85
H-2 Combining Statement of Changes in Fiduciary Net Assets .....	86
H-3 Schedule of Receipts and Disbursements - Student Activity Agency Fund .....	87
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund .....	88
I. Long-Term Debt:	
I-1 Statement of Serial Bonds .....	89
I-2 Schedule of Obligations under Capital Leases .....	N/A
I-3 Budgetary Comparison Schedule - Debt Service Fund .....	90

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

STATISTICAL SECTION (Unaudited))	<u>Page</u>
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component .....	91
J-2 Changes in Net Assets .....	92 - 93
J-3 Fund Balances - Governmental Funds .....	94
J-4 Changes in Fund Balances - Governmental Funds .....	95 - 96
J-5 General Fund - Other Local Revenue by Source .....	97
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property .....	98
J-7 Direct and Overlapping Property Tax Rates .....	99
J-8 Principal Property Taxpayers .....	100
J-9 Property Tax Levies and Collections .....	101
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type .....	102
J-11 Ratios of Net General Bonded Debt Outstanding .....	103
J-12 Direct and Overlapping Governmental Activities Debt .....	104
J-13 Legal Debt Margin Information .....	105
Demographic and Economic Information	
J-14 Demographic and Economic Statistics .....	106
J-15 Principal Employers .....	107
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program .....	108
J-17 Operating Statistics .....	109
J-18 School Building Information .....	110
J-19 Schedule of Allowable Maintenance Expenditures by School Facility .....	111
J-20 Insurance Schedule .....	112

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS (Continued)

SINGLE AUDIT

Page

K-1	Report on Internal Control Over Financial and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	113 - 114
K-2	Report on Compliance With Requirements That Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A -133 and N.J. OMB Circular 04-04 .....	115 - 116
K-3	Schedule of Expenditures of Federal Awards .....	117
K-4	Schedule of Expenditures of State Financial Assistance .....	118
K-5	Notes to Schedules of Expenditures of Federal and State Awards .....	119 - 120
K-6	Schedule of Findings and Questioned Costs .....	121 - 123
K-7	Summary Schedule of Prior Year Audit Findings .....	124

## **INTRODUCTORY SECTION**

BOARD OF EDUCATION  
**BUTLER PUBLIC SCHOOLS**

HIGH SCHOOL ANNEX BUILDING

BUTLER, NEW JERSEY 07405

Phone: (973) 492-2025 ♦ Fax: (973) 492-1016

**Mario D. Cardinale**  
*Superintendent*

**DAVID L. RINDERKNECHT**  
*Interim Business Administrator/Board Secretary*

November 27, 2012

The Honorable President and Members  
of the Board of Education  
Butler Borough School District  
County of Morris

Dear Board Members:

The comprehensive annual financial report of the Butler Borough School District (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit Section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** Butler Borough School District is an independent reporting entity within the criteria adopted by the GASB as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standard. All funds and account groups of the District are included in this report. The Butler Borough School District and all its schools constitute the District's reporting entity.

The Butler School District encompasses approximately 2.08 square miles. The District is located in the northeastern section of Morris County. It was formed on July 1, 1901, after segregating from the Pequannock Township School District. It is governed by a ten-member Board of Education, nine members of which are elected by District constituents to serve alternating 3-year terms, and one member from its sending district, Bloomingdale, who is appointed on an annual basis by the Bloomingdale Board of Education.

The District provides a full range of educational programs pre-school handicapped/K through 12. These include regular and vocational as well as special education for handicapped students. The District currently operates one

elementary, one middle and one high school, and completed the 2011-2012 fiscal year with an average daily enrollment of 1,122.0 students. This enrollment is a 0.81% decrease over the previous year as shown in the ten-year period below. The District received high school students from Bloomingdale, in Passaic County, on a tuition basis. These students comprised 49.3% of the high school enrollment in the 2011-2012 school year.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2011-12	1,122.0	(0.81%)
2010-11	1,131.2	(4.85%)
2009-10	1,188.8	1.22%
2008-09	1,174.5	(2.35%)
2007-08	1,202.8	4.66%
2006-07	1,183.3	2.97%
2005-06	1,149.2	(0.99%)
2004-05	1,160.8	1.26%
2003-04	1,146.3	(2.58%)
2002-03	1,176.7	(0.96%)
2001-02	1,188.1	0.34%

**2) ECONOMIC CONDITION AND OUTLOOK:** Prior legislation enacted, Chapter 62, also known as A1 or the "tax levy cap law", restricted the allowable tax growth to 4% of the previous year. Other statutes enacted increased the regulatory environment in which the District must operate. These include: Chapter 53 (A5 or the "school district accountability act"), Chapter 63 ("CORE" or the "shared services and executive county superintendent/county superintendent act"), and Chapter 260 (A500 or the "School Funding Reform Act of 2008"). Although the new funding formula is designed to provide state aid to the Districts where economically disadvantaged children are enrolled, rather than mass infusion of aid to Abbott Districts, its success will be only as good as the annual support of the Legislature. The latest tax legislation limits the tax increase to a 2% maximum for the 2011-2012 budget and in future years. The newest legislation, Chapter 78, superseding Chapter 2, has affected employees receiving health benefits. Employees pay 1.5% of their salary or a percentage of their benefit premium, whichever is higher, over a 4-year period.

On March 15, 2007, new legislation, "A-5," (School District Accountability Act) was adopted and became effective immediately. This legislation places more restrictions on the daily operating functions of the district, including training and travel and governs the expenditure of public funds by New Jersey boards of education. The Butler School District is in compliance with the various requirements of the law including: participating in the federal universal service program (E-rate), the ACT telecommunications program, the Alliance for Competitive Energy Services (ACES) program, and the Special Education Medicaid Initiative (SEMI) program, and in compliance with all regulations regarding workshop and travel regulations. In fact, the District is at 97% parental participation compliance benchmarks for SEMI programs, one of only a few districts that have achieved this level as identified in 18A: 55-3.

The District applied for and received a REMS grant (Readiness and Emergency Management for Schools) under the authority of the federal Safe and Drug Free Schools and Communities Act of ESEA/NCLB. The award was in the amount of \$179,800. Funds were utilized for crisis management planning and training and security upgrades. Not all of these funds have been spent as of June 30, 2012. The balance of unspent funds has been carried into the 2012-13 school year.

### **3) MAJOR INITIATIVE (ACADEMIC): District:**

**Butler High School** students continue to maintain high levels of performance on a variety of standardized testing – High School Proficiency Assessments (HSPA), various Advanced Placement (AP) tests, SAT (SAT I and SAT II). HSPA results for the 2011-2012 school year continue to indicate that Butler High School has, once again, exceeded

necessary levels of student achievement. Usually, about 96% of students achieved proficient or advanced proficient scores in the Language Arts portion of the HSPA, while about 80% of general education students achieved proficient or advanced proficient in the Mathematics portion of the HSPA. It should be noted that Butler High School has been named to the list of **"Top 100 New Jersey High Schools"** and the list of **"Top 20 Most Improved High Schools"** by New Jersey Monthly Magazine.

Our students at Butler High School continue to gain local, state and county recognition with regard to achievement in the areas of academics, the arts and athletics. In the 2011-2012 year, students who pass AP tests will be eligible to win a car through a joint initiative "The AP Challenge." Beginning in the 2012/13 school year, our high school students will work in the computer lab using the Achieve 3000 differentiated reading software, SAT preparation software and Acuity nationally standardized formative assessment software to target weaknesses on specific instructional areas in Math and the Language Arts/Literacy.

In addition the district has initiated for the 2012/13 school year a "Freshman Studies" program, focusing on career education, communication and team building skills, the development of long range "Career and College Readiness" planning skills, financial literacy, and 21st century technological skills.

**Richard Butler School** serves students in grades 5 through 8. Our goal is to provide a challenging and comprehensive education, which addresses the unique educational, social, physical and emotional needs of each middle school student. There continues to be a commitment to small class size, personalized instruction, in-class support and opportunities for both group and individual student recognition. Due to budget constraints, after-school athletic programs have been eliminated. We continue to offer co-curricular programs such as student government, yearbook, band, chess and bridge. This breadth of activities allows each child to participate in a number of activities.

After a lengthy study of other middle school schedules, Richard Butler School initiated a schedule to reflect changes to the language arts and mathematics program for the 2011-2012 school year, which reflected significantly increased instructional time in the areas of language arts and math instruction. The New Jersey Core Curriculum Standards, as well as the new Common Core State Standards [CCSS] continue to evolve; thus, our staff continues to address the updates through curriculum revisions.

Beginning in the 2012/13 school year, our students will also work in the computer lab using the Achieve 3000 differentiated reading software, SAT preparation software and Acuity nationally standardized formative assessment software to target weaknesses on specific instructional areas in Math and the Language Arts/Literacy.

**Aaron Decker School** adheres to the NJ State Core Curriculum Standards at all grade levels and is transitioning [as is Butler High School and Richard Butler Middle School] to the new Common Core Standards in Mathematics and Language Arts/Literacy. The students also work in the computer lab using the Achieve 3000 differentiated reading software, Acuity formative assessment software and Study Island program to target weaknesses on specific instructional areas in Math and the Language Arts/Literacy.

We continue to provide instructional support for students in Reading, Writing, and Mathematics through our Basic Skills Program. Classroom teachers use differentiated instruction to meet the needs of all students. Our Resource Centers and contained special education classes present the core standards in a smaller group setting with modified strategies.

The Butler School District also provides a Preschool Program for Students with Disabilities and a General Education Preschool that offers students a quality preschool education while focusing on readiness and language development. These classes also provide an opportunity for our preschool children with disabilities to work alongside with their more typically developing peers. The benefits are evident as the students move to the Kindergarten program.

Special Education students also receive a high quality education and demonstrate significant levels of achievement in English, Math, Social Studies and Science. Supportive services programs provide students with an opportunity to participate in and experience success in mainstream academic classes. All district schools also offer special education programs through replacement instruction classes. For the 2011/2012 school year, the district will continue many initiatives, including teacher training, professional development and technology.

Teacher training, or Professional Development, will be provided for both regular education and special education faculty. Faculty in grades Pre K through 12 will be training in Differentiated Instruction, Standards Based Math, Essential Elements of Instruction and Academic Literacy. With upgraded electronic computer software, high school students will also be using SAT instructional software, on-line diagnostic and predictive testing software, as well as differentiated reading software.

During the 2009-10 school year, the district entered into an agreement with a state approved special education private school, Chancellor Academy Outreach, which opened up a class on the campus of the Aaron Decker Elementary School. In the 2010-2011 school year, the Chancellor Academy Outreach Program, which generates revenue for the school district, opened a second site at the Richard Butler Middle School. The district now operates three Chancellor Academy Outreach, self-contained classes in the Aaron Decker Elementary School, the Richard Butler Middle School and Butler High School, which began operations in the 2011-2012 school year.

Special education youngsters in grades 3-12 will be experiencing instruction software in both special education and regular education classrooms aimed at increasing levels of student learning as shown in math and language arts literacy scores. These software programs include differentiated reading (Achieve 3000) and on-line diagnostic and prescriptive assessment software in the areas of Language Arts Literacy and Math. The district continues to offer self-contained classes (PSD, LLD), as well as replacement (RC) and supportive services for students experiencing regular education mainstream classes throughout all grades in the district.

The district was also named an approved Public School District of Choice by the New Jersey Department of Education, and is now able to accept students for tuition from other New Jersey public school districts beginning with September, 2013.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The District is in the process of developing an internal control document manual as required by code.

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriate budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.



An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reserves of fund balance at June 30, 2012.

The District participates in several shared services agreements in order to procure goods and services in the most cost efficient means possible to assure savings to the taxpayer: The A.C.E.S. (Alliance for Competitive Energy Service program), organized by NJSBA, NJASBO and NJASA, is utilized for the provision of natural gas.

Educational Data Services, Inc., the Morris County cooperative purchasing service, is utilized for District educational, office and custodial supplies and maintenance services. The Pittsgrove Township Board of Education cooperative is utilized for the purchase of copy paper. The Board participates in ACT (Alliance for Competitive Telecommunications) program for discounted telecommunications services.

**6) ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and accounting groups are explained in "Notes to the Financial Statements", Note 2B.

**7) FINANCIAL INFORMATION AT FISCAL YEAR END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. A detailed financial analysis of key data is contained in the Management's Discussion and Analysis (M. D. & A.), which follows this letter.

**8) DEBT ADMINISTRATION:** At June 30, 2012, the District had \$6,236,000 in outstanding bonded debt. On Thursday, April 26, 2012, the Board of Education of the Borough of Butler entered the bond market to refinance the callable maturities of its 2004 School Bond Issue. The sale of Refunding School Bonds was very successful, resulting in total debt savings of \$150,515 through 6/30/2024, at which time the principal is paid. The School Bonds, Series 2009, in the principal amount of \$2,896,000 will be paid up as of 7/1/2024.

The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

The outstanding debt is continually reviewed for reduced financing opportunities in an attempt to reduce the effect of the bonds on the Butler taxpayer.

**9) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

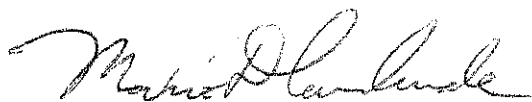
**10) RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds. The District participates in a pooled fund for its Workers' Compensation Insurance.

**11) OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ferraioli, Wielkotz, Cerullo & Cuva, CPA's, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 98-07-OMB. The auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

**12) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Butler Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

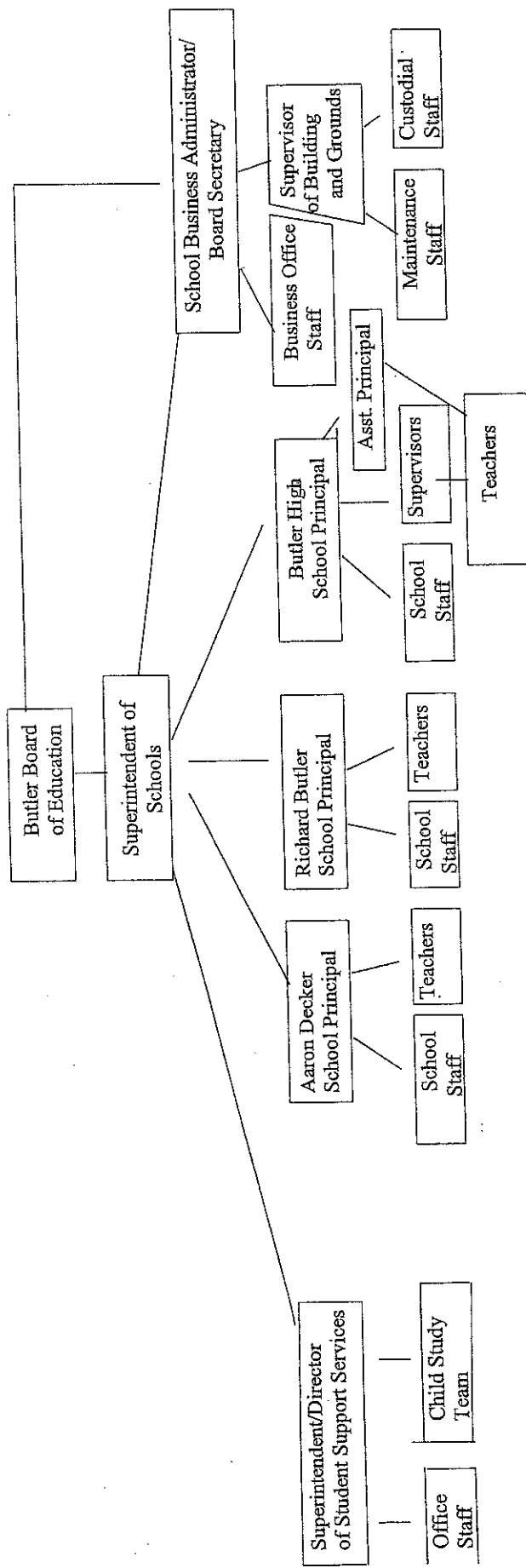


Mario D. Cardinale  
Superintendent



David L. Rinderknecht  
Interim Business Administrator

# BUTLER SCHOOL DISTRICT ORGANIZATIONAL CHART



**BUTLER BOARD OF EDUCATION  
BUTLER, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2012**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Matthew Lee - President	2012
Tracy Luciani - Vice-President	2014
Jay M. Dean	2013
Heather Grecco	2012
Alfred Marion	2014
Michael Puglise	2012
Karen Smith	2013
Cynthia Sokoloff	2014
Sean Walsh	2012
Sheldon Bross (Bloomington Representative)	2012

**Other Officials**

Mario D. Cardinale	Superintendent
Debra Naley-Minenna	Board Secretary/ School Business Administrator
James Kozimor	Treasurer of School Moneys
Anthony Sciarrillo, Esq., and Jeffrey Merlino, Esq.	Board Attorney - Negotiations
John Collins, Esq.	Board Attorney-Sending/Receiving Issues

**BUTLER BOARD OF EDUCATION**  
**Consultants and Advisors**  
**June 30, 2012**

**Architect**

Parette/Somjen & Associates, P.C.  
439 Route 46 East  
Rockaway, NJ 07866

**Audit Firm**

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.  
100B Main Street  
Newton, NJ 07860

**Attorney**

Parker McKay  
1009 Lenox Drive  
Suite 102A, Bldg. 4 East  
Lawrenceville, NJ 08648

Lindabury, McCormick and Eastbrook  
53 Cardinal Drive  
Westfield, NJ 07091

**Insurance Agent**

Polaris Galaxy Insurance, LLC  
777 Terrace Avenue, Suite 309  
Hasbrouck Heights, NJ 07604

**Official Depositories**

Lakeland Bank  
Valley National Bank  
and  
State of New Jersey Cash Management Fund

## **FINANCIAL SECTION**

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Education  
Borough of Butler School District  
County of Morris, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Butler School District, in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Butler Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Butler Board of Education, in the County of Morris, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the Borough of Butler Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal

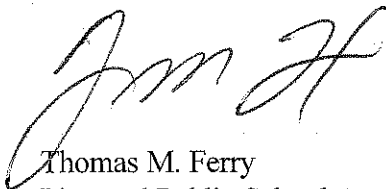
Honorable President and  
Members of the Board of Education  
Page 2.

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 12 through 21 and 56 through 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Butler Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Thomas M. Ferry  
Licensed Public School Accountant  
No. 20CS00209100

*Ferraioli, Wielkutz, Cerullo, & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

November 27, 2012



**REQUIRED SUPPLEMENTARY  
INFORMATION - PART I**

BUTLER BOROUGH PUBLIC SCHOOL DISTRICT  
BUTLER BOROUGH  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

The discussion and analysis of Butler Borough Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### Financial Highlights

Key financial highlights for the 2012 fiscal year are as follows:

- ◆ The School District had \$22,193,759 in expenses (see A-2 District-wide Statement of Activities); only \$4,948,684 of these expenses is offset by program specific charges for services, grants or contributions. General revenues, comprised of primarily property taxes, Federal and State Aid in the amounts of \$14,129,810 and \$3,762,996 respectively, were adequate to provide for these programs.
- ◆ The General Fund had \$21,233,467 in revenues and \$20,287,271 in expenditures. The General Fund's balance increased \$924,500 over 2011. This increase was anticipated by the Board of Education and is attributed to the compliance of the district to increasingly restrictive budgeting and expenditure guidelines imposed by the State of New Jersey legislature, prudent and conscientious purchasing practices, and additional use of shared service contracts. (see B-2 Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds)

### Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Butler Borough Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Butler Borough Public school district, the General Fund is by far the most significant fund.

### Reporting the School District as a Whole

#### Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2012 fiscal year?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial positions of the School district has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ◆ Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School district's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and the Debt Service Fund.

### **Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

### **Enterprise Fund**

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

### **The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole. Net assets may, over time serve as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**Table 1**

**Net Assets  
June 30,**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Assets:</b>						
Current and Other Assets	2,883,675	2,289,754	50,907	28,951	2,934,582	2,318,705
Capital Assets, Net	<u>12,869,350</u>	<u>13,464,488</u>	<u>40,602</u>	<u>23,238</u>	<u>12,909,952</u>	<u>13,487,726</u>
<b>Total Assets</b>	<b><u>15,753,025</u></b>	<b><u>15,754,242</u></b>	<b><u>91,509</u></b>	<b><u>52,189</u></b>	<b><u>15,844,534</u></b>	<b><u>15,806,431</u></b>
<b>Liabilities:</b>	205,795	660,109	26,873	27,268	232,668	687,377
Current Liabilities	<u>6,643,093</u>	<u>6,782,389</u>	<u>      </u>	<u>      </u>	<u>6,643,093</u>	<u>6,782,389</u>
Noncurrent Liabilities						
<b>Total Liabilities</b>	<b><u>6,848,888</u></b>	<b><u>7,442,498</u></b>	<b><u>26,873</u></b>	<b><u>27,268</u></b>	<b><u>6,875,761</u></b>	<b><u>7,469,766</u></b>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	6,881,350	7,131,488	40,602	23,238	6,921,952	7,154,726
Restricted	854,862	1,174,857			854,862	1,174,857
Unrestricted	<u>1,167,925</u>	<u>5,399</u>	<u>24,034</u>	<u>1,683</u>	<u>1,191,959</u>	<u>7,082</u>
<b>Total Net Assets</b>	<b><u>8,904,137</u></b>	<b><u>8,311,744</u></b>	<b><u>64,636</u></b>	<b><u>24,921</u></b>	<b><u>8,968,773</u></b>	<b><u>8,336,665</u></b>

Table 2 shows revenue and expense comparisons of 2012 data to that from fiscal year 2011.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Service and Sales	533,962	531,794	301,179	306,366	835,141	838,160
Operating Grants and Contributions	4,012,409	4,401,601	101,134	95,928	4,113,543	4,497,529
Capital Grants and Contributions		19,671				19,671
<b>General Revenues:</b>						
Taxes:						
Property Taxes	14,129,810	13,819,926			14,129,810	13,819,926
Federal and State Aid						
Not Restricted	3,762,996	3,127,184			3,762,996	3,127,184
Miscellaneous Income	434,390	123,092	79	89	434,469	123,181
Transfers	<u>      </u>	<u>      </u>	<u>21,696</u>	<u>16,286</u>	<u>21,696</u>	<u>16,286</u>
<b>Total Revenues and Transfers</b>	<b><u>22,873,567</u></b>	<b><u>22,023,268</u></b>	<b><u>424,088</u></b>	<b><u>418,669</u></b>	<b><u>23,297,655</u></b>	<b><u>22,441,937</u></b>

**Table 2**  
**Changes in Net Assets**  
**(continued)**

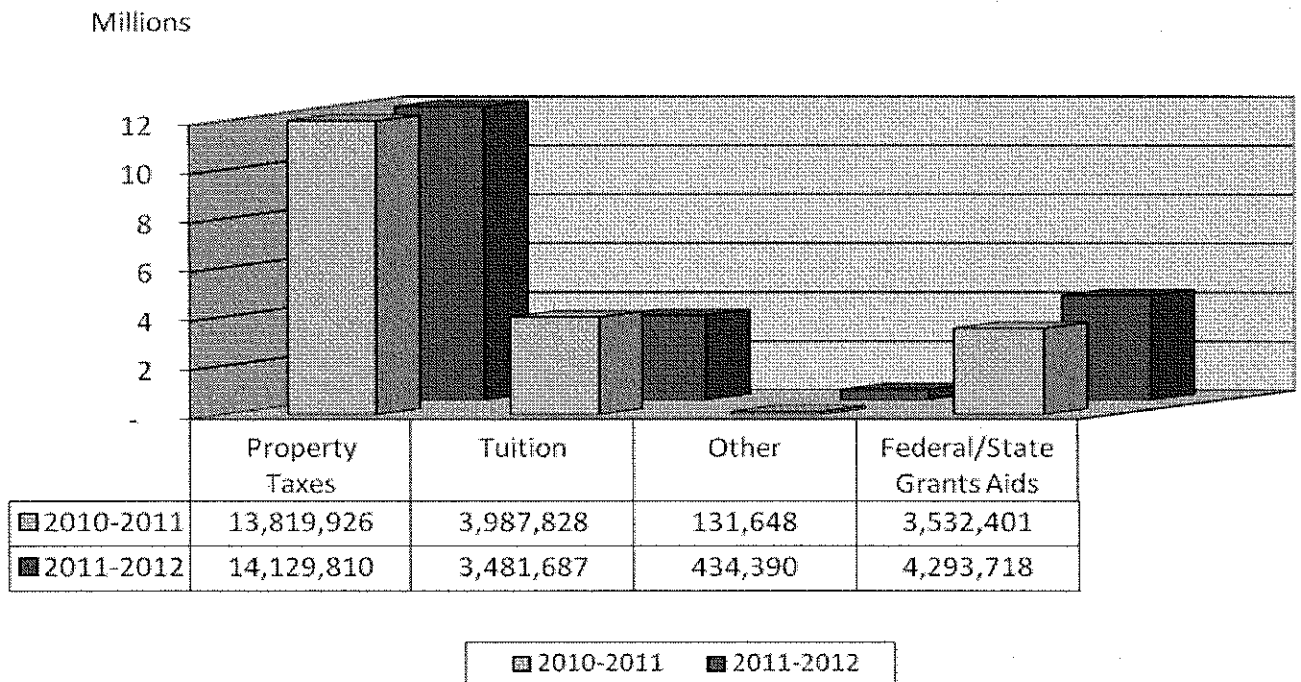
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Functions/Programs:</b>						
<b>Governmental Activities</b>						
Instruction:						
Regular	8,103,959	8,513,283			8,103,959	8,513,283
Special Education	1,958,308	1,981,418			1,958,308	1,981,418
Other Special Education	233,048	180,200			233,048	180,200
Other Instruction	512,650	499,713			512,650	499,713
<b>Support Services:</b>						
Tuition	1,662,708	1,635,041			1,662,708	1,635,041
Student & Instruction						
Related Services	3,351,044	2,913,323			3,351,044	2,913,323
General Administrative						
Services	581,001	687,278			581,001	687,278
School Administrative						
Services	1,016,618	1,035,799			1,016,618	1,035,799
<b>Central Services and</b>						
<b>Administrative</b>						
Inform. Tech	644,271	592,060			644,271	592,060
Plant Operations						
And Maintenance	2,235,827	2,081,170			2,235,827	2,081,170
Pupil Transportation	800,265	776,673			800,265	776,673
Capital Outlay		34,580				34,580
Special Schools	2,980				2,980	
Unallocated Benefits	95,109	101,774			95,109	101,774
Interest on Long Term Debt	194,450	285,586			194,450	285,586
Transfer to Charter School		20,958				20,958
Unallocated Depreciation	416,443	518,927			416,443	518,927
Food Service			383,394	418,290	383,394	418,290
Butler School District						
Educational Foundation			1,684		1,684	
Transfers	<u>21,696</u>	<u>16,286</u>	<u>          </u>	<u>          </u>	<u>21,696</u>	<u>16,286</u>
Total Expenditures and						
Transfers	<u>21,830,377</u>	<u>21,874,069</u>	<u>385,078</u>	<u>418,290</u>	<u>22,215,455</u>	<u>22,292,359</u>
Increase or (Decrease)						
In Net Assets	<u>1,043,190</u>	<u>149,199</u>	<u>39,010</u>	<u>379</u>	<u>1,082,200</u>	<u>149,578</u>

## Governmental Activities

### -Revenues-

Property taxes for the budget ending June 30, 2012 were approved by the voters in April of 2011. Property taxes made up 63.25% percent of revenues for governmental activities for the Butler Borough Public School District for fiscal year 2012 (see Exhibit B-2). Federal, State, and local grants accounted for another 19.22%. Tuition from other LEA's (mostly from sending District Bloomingdale) in the state accounted for 15.59% percent. The District's total governmental fund revenues were \$22,339,605 for the fiscal year ended June 30, 2012.

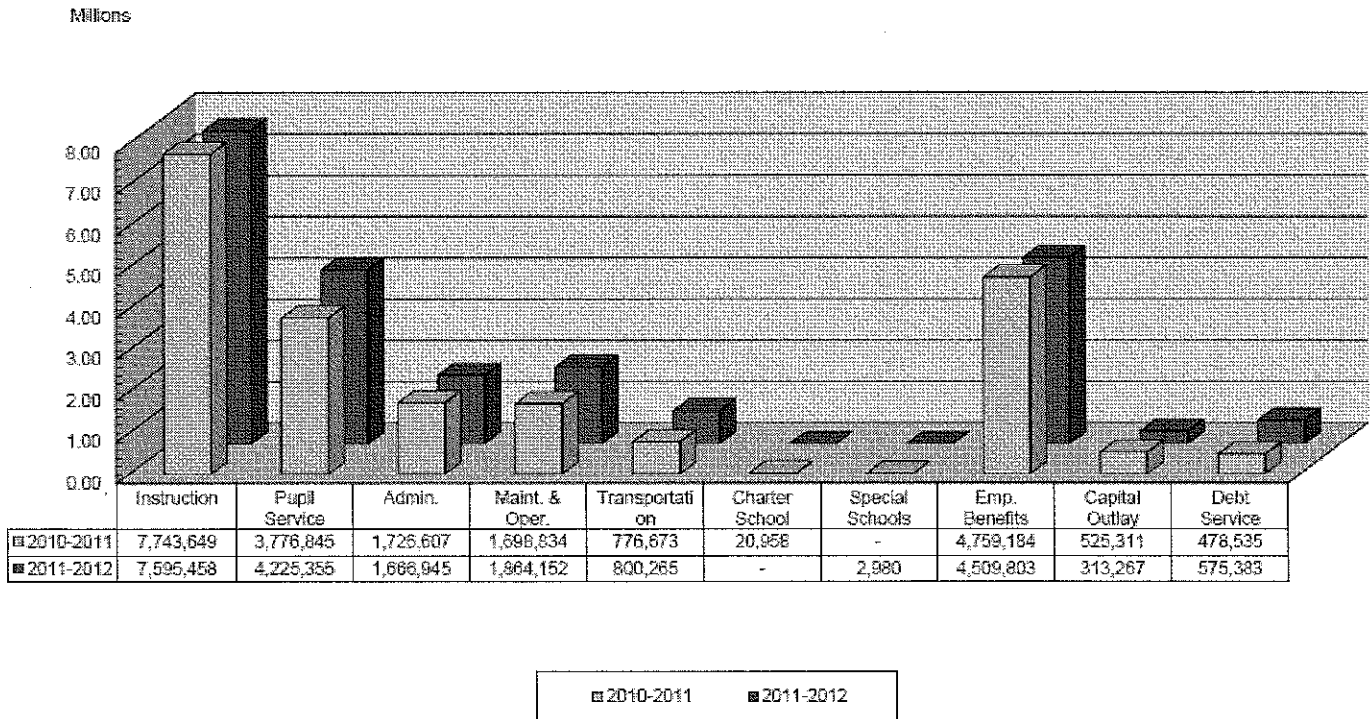
### Sources of Revenues for Fiscal Year 2012



## -Expenses-

The total cost of all program and services was \$21,553,608. Instruction comprises 35.24% of District expenses. The total for Instruction in 2011-2012 represents a decrease of 1.91% in actual dollar expenditures over the previous year.

### Expenses for Fiscal Year 2012



## Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service revenues exceeded expenditures by \$18,998. This is a decrease of \$34,905 in the amount of expenses over revenues in 2011.
- ◆ Charges for services represent \$301,180 of revenue. This represents the amount paid by patrons for daily food services.
- ◆ Federal and state reimbursements for meals, including payments for free and reduced lunches, donated commodities and interest income was \$101,134, an increase of \$5,116 over 2011.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. A comparison to 2011 follows, as well as a description of the various expenditure areas.

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$10,807,965	\$7,962,434	\$11,174,614	\$8,009,546
Support services	-	-	-	-
Pupils and instructional staff	5,013,752	4,154,272	4,548,363	3,728,808
General administration, school administration, business	2,241,890	1,911,777	2,315,137	1,903,367
Operation and maintenance of facilities	2,235,827	1,724,580	2,081,170	1,524,497
Pupil transportation	800,265	800,265	776,673	776,673
Special Schools	2,980	2,980	-	-
Interest on Long Term Debt	194,450	194,450	285,586	285,586
Unallocated Benefits	95,109	95,109	101,774	101,774
Unallocated Depreciation	416,443	416,443	518,927	518,927
Capital Outlay - Non- depreciable	-	-	34,580	34,580
Transfer to Charter School	-	-	20,958	20,958
Total governmental expenses	<u>\$21,808,681</u>	<u>\$17,262,310</u>	<u>\$21,857,782</u>	<u>\$16,904,716</u>



The total cost for 2012 is a decrease of \$49,101 over 2011, or 0.224%. This value is mainly attributed to the decrease in unallocated depreciation of \$102,484, interest on long term debt of \$91,136, and a decrease in instruction of \$366,649. This decrease is offset by increases in pupils and instructional staff of 10.2% and in operation and maintenance of facilities of 7.4%.

The total net cost for 2012 is an increase of \$357,594 over 2011, or 2.12%. This value is again primarily attributed to the decrease in unallocated depreciation, interest on long term debt, and instruction. These decreases are offset by an increase in pupils and instructional staff of 11.4%, and in operations and maintenance of facilities of 13.1%.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Additionally included are extracurricular activities, which include expenses related to student activities provided by the School district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. This section also includes Curriculum and staff development, which includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

## **The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$22,339,571 and expenditures of \$21,553,608.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2012, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2011</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$18,051,186	80.80%	\$111,784	.62%
State Sources	3,710,723	16.61%	548,483	17.34%
Federal Sources	<u>577,662</u>	<u>2.59%</u>	<u>207,500</u>	<u>56.06%</u>
Total	<u>\$22,339,571</u>	<u>100.00%</u>	<u>\$867,767</u>	

The increase in Federal Sources is primarily attributed to additional grant projects. The increase in State Sources is primarily due to on-behalf TPAF pension and more Equalization Aid.

The following schedule presents a summary of general fund and special revenue fund and capital projects fund expenditures for the fiscal year ended June 30, 2012.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2011</u>	<u>Percent Increase/ (Decrease)</u>
Current:				
Instruction	\$ 7,595,458	35.25%	\$(147,944)	(1.91) %
Undistributed expenditures	13,066,520	60.62%	328,377	2.58 %
Capital Outlay	313,267	1.45%	(212,044)	(40.37)%
Debt Service	575,383	2.67%	96,848	20.24%
Charter School	-	- %	(20,958)	(100.00)%
Special Schools	<u>2,980</u>	<u>0.01%</u>	<u>2,980</u>	<u>100.00%</u>
Total	<u>\$21,553,608</u>	<u>100.00%</u>	<u>\$ 47,259</u>	

The increase in the undistributed expenditures is primarily attributed to the increase in the on-behalf TPAF pension contribution.

### **General Fund Budgeting Highlights**

The School district's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund. Refer to Exhibit C-1 – Budgetary Comparison Schedule.

During the course of the fiscal year 2012, the School District amended its General Fund budget as needed. The School district uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management when the need arises in such areas as:

- ◆ Staffing changes based on student needs.
- ◆ Additional costs for student transportation and out-of district tuitions both in regular education and special education.
- ◆ Accounting changes in maintenance and operations.
- ◆ Changes in appropriations to prevent budget overruns.

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a surplus.

- ◆ Actual revenues appear to be \$1,983,881 more than expected, but once the reimbursement for TPAF pension and social security which are not included in the budgeting process and only reported on the financial statements are removed, revenues actually increased by only \$489,374 over the budgeted amount.
- ◆ The actual expenditures appear to be \$69,005 higher than expected. Once again, after the removal of the TPAF reported numbers, expenditures are actually \$1,418,602 less than budgeted.

### **Capital Assets**

New capital asset purchases for the year totaled \$313,267. The purchases include technology, instrumental, athletics, guidance, maintenance, custodial equipment and the athletic field referendum.

## **Debt Administration**

At June 30, 2012 the School district had \$6,236,000 in outstanding debt. During the year, \$34 was earned in interest in the Capital Projects Fund. The Board of Education voted to apply these funds to offset future debt service payments.

Other long-term debt includes amounts for compensated absences, \$407,093.

## **For the Future**

The Butler Borough Public School District is in good financial condition. However, future finances are not without challenges as expenses continue to grow and limitations are placed on total spending. A major concern is the continued reliance on local property taxes and the anticipated impact from the School Funding Reform Act and the Accountability Regulations legislation as currently written. It should be noted that budgets no longer are required to be approved by voters if the tax increase is within the 2% cap limit established by statute.

Butler Borough is primarily a residential community, with few ratables; thus the burden is focused on homeowners to foot the tax burden. It is hoped that the contracts the Borough has entered into for new ratables will continue to increase the ratable base significantly enough to lower the impact of future increases on the homeowner. The District is pursuing several shared services agreements with both the Borough and the sending district to reduce costs wherever possible.

In conclusion, the Butler Borough Public School District has committed itself to financial excellence for many years. The School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

## **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School district's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact David L. Rinderknecht, Interim School Business Administrator/Board Secretary at Butler Borough Board of Education, High School Annex Building, Butler, NJ 07405 or email at [drinderknecht@butlerboe.org](mailto:drinderknecht@butlerboe.org).

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	1,252,495.05	41,206.16	1,293,701.21
Receivables, net	1,232,795.75	2,858.95	1,235,654.70
Inventory		6,841.89	6,841.89
Deferred Charge - Unamortized Bond Issuance Costs	248,000.00		248,000.00
Restricted assets:			
Capital reserve account - cash	150,384.29		150,384.29
Capital assets:			
Construction in progress	2,272,702.46		2,272,702.46
Other capital assets, net	10,596,647.30	40,601.83	10,637,249.13
Total Assets	<u>15,753,024.85</u>	<u>91,508.83</u>	<u>15,844,533.68</u>
<b>LIABILITIES</b>			
Accounts payable	131,794.21	14,864.18	146,658.39
Accrued interest on bonds	19,042.90		19,042.90
Interfund Payable		10,201.81	10,201.81
Payable to state government	3,597.67		3,597.67
Deferred revenue	51,360.78	1,806.99	53,167.77
Noncurrent liabilities:			
Due within one year	410,000.00		410,000.00
Due beyond one year	6,233,092.80		6,233,092.80
Total liabilities	<u>6,848,888.36</u>	<u>26,872.98</u>	<u>6,875,761.34</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,881,349.76	40,601.83	6,921,951.59
Restricted for:			
Debt Service	92.96		92.96
Capital projects	95,547.84		95,547.84
Capital reserves	150,384.29		150,384.29
Other Purposes	608,837.00		608,837.00
Unrestricted	1,167,924.64	24,034.02	1,191,958.66
Total net assets	<u><u>8,904,136.49</u></u>	<u><u>64,635.85</u></u>	<u><u>8,968,772.34</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**BUTLER BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Regular	6,055,393.25	2,048,565.61	533,962.01	1,773,930.10	(5,796,066.75)	(5,796,066.75)
Special education	1,391,364.10	566,943.76	-	381,584.09	(1,576,723.77)	(1,576,723.77)
Other special instruction	166,340.97	66,707.09	-	45,619.31	(187,428.75)	(187,428.75)
Other instruction	402,677.53	109,972.39	-	110,435.03	(402,214.89)	(402,214.89)
<b>Support services:</b>						
Tuition	1,662,707.69	-	-	-	(1,662,707.69)	(1,662,707.69)
Student & instruction related services	2,562,647.01	788,396.93	-	859,480.15	(2,491,563.79)	(2,491,563.79)
General administrative services	477,037.42	103,963.58	-	130,753.33	(450,247.67)	(450,247.67)
School administrative service	726,922.77	289,695.56	-	199,359.87	(817,258.46)	(817,258.46)
Central Services and Admin. Infor. Tech.	481,519.10	162,751.74	-	-	(644,270.84)	(644,270.84)
Plant operations and maintenance	1,864,152.24	371,674.76	-	511,247.08	(1,724,579.92)	(1,724,579.92)
Pupil transportation	800,265.15	-	-	-	(800,265.15)	(800,265.15)
Special schools	2,979.86	-	-	-	(2,979.86)	(2,979.86)
Unallocated Benefits	95,109.59	-	-	-	(95,109.59)	(95,109.59)
Interest on Long term debt	-	194,449.87	-	-	(194,449.87)	(194,449.87)
Unallocated depreciation	-	416,443.33	-	-	(416,443.33)	(416,443.33)
<b>Total governmental activities</b>	<b>16,689,116.68</b>	<b>5,119,564.62</b>	<b>533,962.01</b>	<b>4,012,408.96</b>	<b>(17,262,310.33)</b>	<b>(17,262,310.33)</b>
<b>Business-type activities:</b>						
Food Service	383,394.40	-	301,179.52	101,133.71	18,918.83	18,918.83
Butler School District Educational Foundation	1,683.38	-	-	-	(1,683.38)	(1,683.38)
<b>Total business-type activities</b>	<b>385,077.78</b>	<b>-</b>	<b>301,179.52</b>	<b>101,133.71</b>	<b>17,235.45</b>	<b>17,235.45</b>
<b>Total primary government</b>	<b>17,074,194.46</b>	<b>5,119,564.62</b>	<b>835,141.53</b>	<b>4,113,542.67</b>	<b>(17,262,310.33)</b>	<b>(17,245,074.88)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes, net					13,608,854.00	13,608,854.00
Taxes Levied for debt service					520,956.00	520,956.00
Federal and State aid not restricted					3,762,996.36	3,762,996.36
Investment Earnings					98,258.33	98,337.09
Transfers					(21,696.00)	-
Miscellaneous Income					336,131.69	336,131.69
<b>Total general revenues, special items, extraordinary items and transfers</b>					<b>18,305,500.38</b>	<b>18,327,275.14</b>
<b>Change in Net Assets</b>					<b>1,043,190.05</b>	<b>1,082,200.26</b>
<b>Total Net Assets - Balance, beginning of year as restated</b>					<b>7,860,946.44</b>	<b>7,886,572.08</b>
<b>Net Assets—ending</b>					<b>8,904,136.49</b>	<b>8,968,772.34</b>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**



**BUTLER BOROUGH SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	1,732,038.65			41,488.96	1,773,527.61
Due from other funds	10,224.63			34.00	10,258.63
Receivable from state government	335,373.56		497,165.00		832,538.56
Receivable from federal government	9,343.96	61,940.45			71,284.41
Receivables from other governments	205,094.98			-	205,094.98
Receivables other	14,545.88				14,545.88
Restricted cash and cash equivalents	150,384.29				150,384.29
Total assets	<u>2,457,005.95</u>	<u>61,940.45</u>	<u>497,165.00</u>	<u>41,522.96</u>	<u>3,057,634.36</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Cash deficit		39,097.11	383,878.16		422,975.27
Accounts payable	103,724.32	9,314.89	17,705.00		130,744.21
Due to other funds			34.00		34.00
Payable to state government		3,597.67			3,597.67
Deferred revenue federal government		448.90		41,430.00	41,878.90
Deferred revenue local grants		9,481.88			9,481.88
Total liabilities	<u>103,724.32</u>	<u>61,940.45</u>	<u>401,617.16</u>	<u>41,430.00</u>	<u>608,711.93</u>
Fund Balances:					
Committed to:					
Other Purposes	69,330.00				69,330.00
Assigned to:					
Designated by the Board of Education for Subsequent Year's Expenditures	1,016,562.05				1,016,562.05
Restricted for:					
Debt Service				92.96	92.96
Capital Projects			95,547.84		95,547.84
Excess Surplus	522,167.05				522,167.05
Excess Surplus Designated for for Subsequent Year's Expenditures	86,669.95				86,669.95
Capital Reserve Account	150,384.29				150,384.29
Unassigned:					
General Fund	508,168.29				508,168.29
Total fund balances	<u>2,353,281.63</u>	<u>-</u>	<u>95,547.84</u>	<u>92.96</u>	<u>2,448,922.43</u>
Total liabilities and fund balances	<u>2,457,005.95</u>	<u>61,940.45</u>	<u>497,165.00</u>	<u>41,522.96</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:					
Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.					
					(19,042.90)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,282,284.95 and the accumulated depreciation is \$6,412,935.19.					
					12,869,349.76
Bond issuance costs are reported as expenditures in the Governmental Funds in the year of the expenditure.					
					248,000.00
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
					(6,643,092.80)
Net assets of governmental activities					<u>8,904,136.49</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local Tax Levy	13,608,854.00			520,956.00	14,129,810.00
Tuition - Other LEA's Within the State	3,481,687.26				3,481,687.26
Other Restricted Miscellaneous Revenue	13,645.25				13,645.25
Interest Earned on Capital Reserve Funds	102.01				102.01
Local Grants		5,333.18			5,333.18
Other Tuition	98,156.32				98,156.32
Miscellaneous Income	322,452.44		34.00		322,486.44
Total - Local Sources	17,524,897.28	5,333.18	34.00	520,956.00	18,051,220.46
State sources	3,602,943.60	53,352.33	-	54,427.00	3,710,722.93
Federal sources	105,625.76	472,036.19			577,661.95
Total revenues	21,233,466.64	530,721.70	34.00	575,383.00	22,339,605.34
<b>EXPENDITURES</b>					
Current:					
Regular instruction	5,320,226.60	314,848.45			5,635,075.05
Special education instruction	1,391,364.10				1,391,364.10
Other special instruction	166,340.97				166,340.97
Other instruction	402,677.53				402,677.53
Support services and undistributed costs:					
Tuition	1,662,707.69				1,662,707.69
Student & instruction related services	2,346,773.76	215,873.25			2,562,647.01
General administrative services	476,763.82				476,763.82
School administrative services	726,922.77				726,922.77
Central Services and Admin. Infor. Tech.	463,258.48				463,258.48
Plant operations and maintenance	1,864,152.24				1,864,152.24
Pupil transportation	800,265.15				800,265.15
Unallocated employee benefits	4,509,802.94				4,509,802.94
Special schools	2,979.86				2,979.86
Capital outlay	153,035.00	-	160,232.29		313,267.29
Debt service:					
Principal				345,000.00	345,000.00
Interest and other charges				230,383.00	230,383.00
Total expenditures	20,287,270.91	530,721.70	160,232.29	575,383.00	21,553,607.90
Excess (Deficiency) of revenues over expenditures	946,195.73	-	(160,198.29)	-	785,997.44
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in - from Capital Projects Fund				34.00	34.00
Transfer out - to Debt Service			(34.00)		(34.00)
Transfers out - to Enterprise Fund	(21,696.00)				(21,696.00)
Total other financing sources and uses	(21,696.00)	-	(34.00)	34.00	(21,696.00)
Net change in fund balances	924,499.73	-	(160,232.29)	34.00	764,301.44
Fund balance—July 1 -	1,428,781.90	-	255,780.13	58.96	1,684,620.99
Fund balance—June 30	2,353,281.63	-	95,547.84	92.96	2,448,922.43

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**BUTLER BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Total net change in fund balances - governmental funds (from B-2)** 764,301.44

Amounts reported for governmental activities in the statement  
of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, on the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense. This is the amount  
by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation expense	(457,608.14)	
Depreciable Capital outlays	<u>313,267.29</u>	
		<u>(144,340.85)</u>

Repayment of long-term debt is reported as an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement of net  
assets and is not reported in the statement of activities. In the current year,  
these amounts consist of:

Principal Payments on Bonds Payable	345,000.00
-------------------------------------	------------

In the statement of activities, interest on long-term debt in the statement of activities  
is accrued, regardless of when due. In the governmental funds, interest is reported  
when due. The change in accrued interest is a increase in the reconciliation

35,933.13

In the statement of activities, certain operating expenses, e.g., compensated absences  
(vacations) are measured by the amounts earned during the year. In the governmental  
funds, however, expenditures for these items are reported in the amount of financial  
resources used (paid). When the earned amount exceeds the paid amount, the difference  
is reduction in the reconciliation (-); when the paid amount exceeds the earned amount  
exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in Compensated Absences Payable	<u>42,296.33</u>
--	------------------

**Change in net assets of governmental activities** 1,043,190.05

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-type Activities - Enterprise Funds	Internal Service Fund
	Food Service	Academy for Law and Public Safety
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	41,206.16	-
Intergovernmental receivables:		
Federal	2,723.33	
State	135.62	
Other Accounts receivables	-	99,107.29
Inventories	6,841.89	
Total current assets	<u>50,907.00</u>	<u>99,107.29</u>
Noncurrent assets:		
Furniture, machinery & equipment	100,291.50	
Less accumulated depreciation	<u>(59,689.67)</u>	
Total noncurrent assets	<u>40,601.83</u>	<u>-</u>
Total assets	<u><u>91,508.83</u></u>	<u><u>99,107.29</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Cash Deficit		98,057.29
Accounts payable	14,864.18	1,050.00
Interfund Payable:		
General Fund	10,201.81	-
Federal Food Distribution Program	<u>1,806.99</u>	
Total current liabilities	<u>26,872.98</u>	<u>99,107.29</u>
<b>NET ASSETS</b>		
Restricted for:		
Invested in Capital Assets Net of Related Debt	40,601.83	
Unrestricted	<u>24,034.02</u>	
Total net assets	<u><u>64,635.85</u></u>	<u><u>-</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Fund			Governmental Activities - Internal Service Fund
	Butler School District			
	Food Service	Educational Foundation	Totals	Academy for Law and Public Safety
Operating revenues:				
Charges for services:				
Daily sales - reimbursable lunch programs	297,997.93		297,997.93	
Special functions	3,181.59		3,181.59	
Fees from other LEA's within the State				533,962.01
Total operating revenues	301,179.52	-	301,179.52	533,962.01
Operating expenses:				
Cost of sales	150,905.29		150,905.29	
Salaries	131,801.84	-	131,801.84	420,318.20
Employee benefits	47,762.62		47,762.62	95,109.59
Purchased property service			-	13,439.51
Supplies and Materials	20,708.28	-	20,708.28	273.60
Management Fees	16,350.50		16,350.50	
Insurance	1,149.39		1,149.39	
Repairs	1,835.50		1,835.50	
Depreciation	5,036.43		5,036.43	
Miscellaneous	7,844.55	1,683.38	9,527.93	4,821.11
Total operating expenses	383,394.40	1,683.38	385,077.78	533,962.01
Operating Income (Loss)	(82,214.88)	(1,683.38)	(83,898.26)	-
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	3,877.11		3,877.11	
Federal sources:				
National school lunch program	75,965.33		75,965.33	
Special milk program	996.74		996.74	
Food distribution program	20,294.53		20,294.53	
Interest and investment revenue	78.76		78.76	
Total nonoperating revenues (expenses)	101,212.47	-	101,212.47	-
Income (Loss) before contributions and transfers	18,997.59	(1,683.38)	17,314.21	-
Transfers in (out)	21,696.00		21,696.00	
Change in net assets	40,693.59	(1,683.38)	39,010.21	-
Total Net Assets - Balance, beginning of year as restated	23,942.26	1,683.38	24,921.64	-
Total net assets—Ending	64,635.85	-	63,931.85	-

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Butler School District Educational Foundation	Totals	Academy for Law and Public Safety
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	301,179.52	-	301,179.52	751,443.50
Cash payments to employees for services	(131,801.84)	-	(131,801.84)	(420,318.20)
Cash payments to suppliers for goods and services	(224,614.08)	(1,683.38)	(226,297.46)	(114,318.45)
Net cash provided by (used for) operating activities	(55,236.40)	(1,683.38)	(56,919.78)	216,806.85
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources	3,984.59		3,984.59	
Federal Sources	78,096.40		78,096.40	
Operating subsidies	21,696.00		21,696.00	
Net cash provided by (used for) non-capital financing activities	103,776.99	-	103,776.99	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(21,696.00)		(21,696.00)	
Net cash provided by (used for) capital and related financing activities	(21,696.00)	-	(21,696.00)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	78.76		78.76	
Net cash provided by (used for) investing activities	78.76	-	78.76	-
Net increase (decrease) in cash and cash equivalents	26,923.35	(1,683.38)	25,239.97	216,806.85
Balances—Beginning of year	14,282.81	1,683.38	15,966.19	(314,864.14)
Balances—End of year	41,206.16	-	41,206.16	(98,057.29)
Reconciliation of operating income (loss) to net cash provided (used) operating activities:				
Operating Income (Loss)	(82,214.88)	(1,683.38)	(83,898.26)	
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:				
Depreciation	5,036.43		5,036.43	
Food distribution program	20,294.53		20,294.53	
(Increase ) decrease in inventories	2,042.05		2,042.05	
Increase (decrease) in accounts payable	3,907.15		3,907.15	217,481.49
Increase (decrease) in deferred revenue	(4,301.68)		(4,301.68)	-
Total adjustments	26,978.48	-	26,978.48	216,806.85
Net cash provided by (used for) operating activities	(55,236.40)	(1,683.38)	(56,919.78)	216,806.85

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2012**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	4,308.29	122,203.07	409,753.70
	<u>4,308.29</u>	<u>122,203.07</u>	<u>409,753.70</u>
<b>LIABILITIES</b>			
Accrued Salaries and Wages			305,183.67
Flexible Spending			5,366.24
Payable to student groups			90,903.58
Payroll deductions and withholdings			8,277.39
Interfund - General Fund			22.82
			<u>22.82</u>
Total liabilities	-	-	<u>409,753.70</u>
<b>NET ASSETS</b>			
Held in trust for unemployment claims and other purposes	<u>4,308.29</u>		
Reserved for scholarships		<u>122,203.07</u>	

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
<b>ADDITIONS</b>		
Contributions:		
Plan member	12,713.04	
Board - Budget	42,504.62	
Other		13,900.00
Total Contributions	<u>55,217.66</u>	<u>13,900.00</u>
Investment earnings:		
Interest	<u>22.77</u>	<u>211.21</u>
Net investment earnings	<u>22.77</u>	<u>211.21</u>
Total additions	<u>55,240.43</u>	<u>14,111.21</u>
<b>DEDUCTIONS</b>		
Unemployment claims	65,014.90	
Scholarships awarded		15,300.00
Total deductions	<u>65,014.90</u>	<u>15,300.00</u>
Change in net assets	(9,774.47)	(1,188.79)
Net assets—Beginning of the year	<u>14,082.76</u>	<u>123,391.86</u>
Net assets—End of the year	<u><u>4,308.29</u></u>	<u><u>122,203.07</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.



**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Board of Education ("Board") of the Borough of Butler School District ("District") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Borough of Butler School District is a Type II district located in the County of Morris, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of ten members elected to three-year terms. The purpose of the District is to educate students in grades K-12, as well as Butler's Grade 9-12. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Board
- there is a fiscal dependency by the organization on the Board

Based on the aforementioned criteria, the Board has no component units. Furthermore, the Board is not includable in any other reporting entity on the basis of such criteria.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education of the Borough of Butler School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the board's accounting policies are described below.

**A. Basis of Presentation**

The Board's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**District-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental, proprietary and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**GOVERNMENTAL FUNDS (continued)**

**General Fund** - The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Board includes budgeted Capital Outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**PROPRIETARY FUNDS**

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal service. The following is a description of the Proprietary Funds of the Board:

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**PROPRIETARY FUNDS (continued)**

**Enterprise Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board is that the costs (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Board's Enterprise Fund is comprised of the Food Service Fund and the Butler District Educational Foundation.

**Internal Service Fund**

The Internal Service Fund has been established to account for the financing of the Morris County Academy of Law and Public Safety, which is located at Butler High School, provided by Morris County School of Technology for use by various other districts within the County of Morris, as well as for Butler School District itself. Services are provided on a cost-reimbursement basis.

**FIDUCIARY FUNDS**

**Fiduciary Fund** - Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Unemployment Compensation Insurance Fund, Student Activities Fund and Payroll Agency Fund.

**B. Measurement Focus**

**District-wide Financial Statements**

The District-wide statements (i.e., the statement of net assets and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net assets, except for fiduciary funds.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus (continued)**

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting (continued)**

**Revenues - Exchange and Non-exchange Transactions (continued)**

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: ad valorem property taxes, tuition, unrestricted grants and interest.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**D. Budgets/Budgetary Control**

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education increased their original budget for Educational Jobs Fund Grant and a transfer to the Capital Reserve Fund, during the fiscal year, in the amount of \$152,527.00.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets/Budgetary Control (continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**E. Encumbrances**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Board has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**F. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Cash, Cash Equivalents and Investments (continued)**

Additionally, the Board has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**G. Tuition Revenues/Receivable**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**H. Tuition Payable**

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

**I. Inventories**

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Short-Term Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**L. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net assets and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Board maintains a capitalization threshold of \$2,000.00. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
Sites and Improvements	20 years	N/A
Building and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Board and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Board and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**N. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

**O. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**P. Fund Balances:**

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Fund Balances (continued):**

- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service and program fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

**T. Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. TPAF on-behalf contributions and changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**U. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Districts policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2012, \$-0- of the District's bank balance of \$5,540,074.71 was exposed to custodial credit risk.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

**Investments**

**Investment Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 18A:20-37 limit school district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America; bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The district places no limit on the amount the District may invest in any one issuer.

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2012 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial Statements	Internal Service Fund	Enterprise Fund	District Wide Financial Statements
State Aid	\$ 832,538.56	\$ -	\$ 135.62	\$ 832,674.18
Federal Aid	71,284.41	-	2,723.33	74,007.74
Interfunds	10,258.63	-	-	10,224.63
Other	<u>219,640.86</u>	<u>99,107.29</u>	<u>-</u>	<u>318,748.15</u>
Gross Receivables	1,133,722.46	99,107.29	2,858.95	1,235,654.70
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$1,133,722.46</u>	<u>\$99,107.29</u>	<u>\$2,858.95</u>	<u>\$1,235,654.70</u>

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

Balance due to/from other funds at June 30, 2012 consists of the following:

Due from Debt Service to Capital Projects Fund for interest income and prior year balances received in Capital Project Fund.	\$ 34.00
Due to General Fund from the Trust and Agency Fund for interest earned.	22.82
Due to General Fund from the Enterprise Fund for cash receipts and disbursements made from the General Fund.	<u>10,201.81</u>
	<u>\$10,258.63</u>

It is anticipated that all interfunds will be liquidated within the fiscal year.

Interfund Transfers for the year ended June 30, 2012 consisted of the following:

\$21,696.00 from the General Fund to the Enterprise Fund to provide resources for fund the salaries of the Food Service Operations; \$34.00 from the Capital Projects Fund to the Debt Service Fund for interest earnings.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/12</u>
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated					
Construction in Progress	<u>2,112,470.17</u>	<u>160,232.29</u>	<u>-</u>	<u>-</u>	<u>2,272,702.46</u>
Total Capital Assets, Not Being Depreciated	<u>2,112,470.17</u>	<u>160,232.29</u>	<u>-</u>	<u>-</u>	<u>2,272,702.46</u>
Capital Assets, Being Depreciated					
Site Improvements	3,682,840.50	-	-	( 126,003.00)	3,556,837.50
Building Improvements	13,219,678.02	148,485.00	-	( 692,162.10)	12,676,000.92
Furniture, Equipment and Vehicles	<u>735,235.81</u>	<u>4,550.00</u>	<u>-</u>	<u>36,958.26</u>	<u>776,744.07</u>
Total Capital Assets, Being Depreciated	<u>17,637,754.33</u>	<u>153,035.00</u>	<u>-</u>	<u>( 781,206.84)</u>	<u>17,009,582.49</u>
Less: Accumulated Depreciation:					
Site Improvements	( 249,344.16)	(177,480.15)	-	( 80,468.83)	( 507,293.14)
Building Improvements	( 5,559,920.55)	(217,930.07)	-	417,474.14	( 5,360,376.48)
Furniture, Equipment and Vehicles	<u>( 476,471.33)</u>	<u>( 62,197.92)</u>	<u>-</u>	<u>( 6,596.32)</u>	<u>( 545,265.57)</u>
Total Accumulated Depreciation	<u>( 6,285,736.04)</u>	<u>(457,608.14)</u>	<u>-</u>	<u>330,408.99</u>	<u>( 6,412,935.19)</u>
Total Capital Assets Being Depreciated, Net	<u>11,352,018.29</u>	<u>(304,573.14)</u>	<u>-</u>	<u>( 450,797.85)</u>	<u>10,596,647.30</u>
Governmental Activities Capital Assets, Net	<u>13,464,488.46</u>	<u>(144,340.85)</u>	<u>-</u>	<u>( 450,797.85)</u>	<u>12,869,349.76</u>
 <b>Business-Type Activity</b>					
Food Services	<u>92,767.88</u>	<u>21,696.00</u>	<u>-</u>	<u>( 14,172.38)</u>	<u>100,291.50</u>
Total	<u>92,767.88</u>	<u>21,696.00</u>	<u>-</u>	<u>( 14,172.38)</u>	<u>100,291.50</u>
Less: Accumulated Depreciation:					
Food Services	<u>( 69,529.62)</u>	<u>( 5,036.43)</u>	<u>-</u>	<u>14,876.38</u>	<u>( 59,689.67)</u>
Total Accumulated Depreciation	<u>( 69,529.62)</u>	<u>( 5,036.43)</u>	<u>-</u>	<u>14,876.38</u>	<u>( 59,689.67)</u>
Net Business-Type Activity Capital Assets, Net	<u>23,238.26</u>	<u>16,659.57</u>	<u>-</u>	<u>704.00</u>	<u>40,601.83</u>



**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 6. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Instruction:

Regular Education	\$ 3,191.15
Special Education	4,230.08
Student Instruction Related Services	17,205.98
School Administrative Services	182.49
Plant Operations and Maintenance	16,355.11
Unallocated	<u>416,443.33</u>

Total Depreciation Expense	<u>\$457,608.14</u>
----------------------------	---------------------

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY**

Changes in long-term obligations for the fiscal year ended June 30, 2012 were as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
Compensated						
absences payable	449,389.13		42,296.33	407,092.80		407,092.80
School Bonds of 2004	3,287,000.00		2,867,000.00	420,000.00	205,000.00	215,000.00
School Bonds of 2009	3,046,000.00		150,000.00	2,896,000.00	155,000.00	2,741,000.00
Refunding School						
Bonds of 2012	<u>                    </u>	<u>2,920,000.00</u>	<u>                    </u>	<u>2,920,000.00</u>	<u>410,000.00</u>	<u>2,510,000.00</u>
	<u>6,782,389.13</u>	<u>2,920,000.00</u>	<u>3,059,296.33</u>	<u>6,643,092.80</u>	<u>770,000.00</u>	<u>5,873,092.80</u>

**A. Bonds Payable**

Bonds are authorized in accordance with State Law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are General Obligation Bonds.

Outstanding Bonds Payable at June 30, 2012, consisted of the following:

<u>Issue</u>	<u>Original</u> <u>Amount</u> <u>Issued</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>Principal</u> <u>Balance at</u> <u>June 30, 2012</u>
School Bonds of 2004	4,447,000.00	2/01/2004	3.75-4.40%	2/01/2014	\$ 420,000.00
School Bonds of 2009	3,046,000.00	2/01/2009	2.00-4.00%	7/01/2024	\$2,896,000.00
Refunding Bonds of 2012	2,920,000.00	8/01/2012	2.00-2.56%	2/01/2024	\$2,920,000.00

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)**

**A. Bonds Payable (continued)**

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 410,000.00	\$ 159,006.72	\$ 569,006.72
2014	410,000.00	165,611.26	575,611.26
2015	430,000.00	153,548.76	583,548.76
2016	445,000.00	141,673.76	586,673.76
2017	465,000.00	128,636.26	593,636.26
2018-2022	2,646,000.00	447,538.80	3,093,538.80
2023-2025	<u>1,430,000.00</u>	<u>72,425.00</u>	<u>1,502,425.00</u>
	<u>\$6,236,000.00</u>	<u>\$1,268,440.56</u>	<u>\$7,504,440.56</u>

**B. Bonds Authorized but not Issued**

As of June 30, 2012, the Board has \$756.00 Authorized but not Issued Bonds.

**NOTE 8. OPERATING LEASES**

The District is leasing copiers under operating leases expiring in June 2015.

The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2013	\$ 44,747.64
2014	44,747.64
2015	<u>31,382.88</u>
	<u>\$120,878.16</u>

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 9. PENSION PLANS**

**Description of Plans** - Substantially all employees of the District are covered by either the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF) or the Defined Contribution Retirement Program (DCRP), which have been established by state statute. PERS and TPAF are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or reports can be accessed on the Internet at: [http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm). Prudential Financial jointly administers the DCRP investments with the New Jersey Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or PERS, the employee may be eligible to enroll in DCRP.

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The program provides eligible members with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 9. PENSION PLANS (continued)**

**Contribution Requirements** - The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% of PERS and 5.5% for TPAF of the employee's annual compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, this amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning in the first year. For fiscal year 2012, the member rate will increase in October 2011. This phase in will take place on July 1 of each subsequent fiscal year. Employers are required to contribute at an actuarially determined rate in all Funds except SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums. Employee contributions for DCRP are based on 5.50% of employee's annual compensation and are matched by a 3% employer contribution.

During the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

The Board's contribution to PERS, equal to the required contributions for each year, were as follows:

<u>Year Ending</u>	
6/30/12	\$207,650.00
6/30/11	224,284.00
6/30/10	149,308.00

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits were as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement</u>	
		<u>Medical Contributions</u>	<u>NCGI Premium</u>
6/30/12	\$257,644.00	\$573,515.00	\$27,649.00
6/30/11	-	576,856.00	27,159.00
6/30/10	-	579,938.00	30,878.00

During the year ended June 30, 2012, the State of New Jersey contributed \$858,808.00 to the TPAF for NCGI premium contributions and post-retirement medical benefits on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$635,698.60 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the district-wide financial statements, and the fund-based statements as revenues and expenditures in accordance with GASB 24.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 9. PENSION PLANS (continued)**

Legislation enacted during 1993 provides early retirement incentives for certain members of the TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1993 fiscal year. The early retirement incentives include: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Board did not offer the early retirement incentive program (ERIP) to its employees for both PERS and TPAF.

The Board made contributions to the DCRP for the years ended June 30, 2012, 2011 and 2010 in the amount of \$14,576.89, \$7,530.39, and \$330.98, respectively.

**NOTE 10. POST-RETIREMENT BENEFITS:**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2011, the State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

**NOTE 11. DEFERRED COMPENSATION**

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Equitable Life Assurance  
First Investors  
Great American Life Insurance Co.  
Lincoln Investment Planning, Inc.

Lincoln National  
Metlife Resources  
Variable Annuity Life Insurance Co.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to general liability, automobile coverage; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

The Butler School District is currently a member of the Pooled Insurance Program of N.J. (the "PIP"). The PIP provides their members with worker's compensation insurance. The PIP is a risk-sharing public entity risk pool that is both an insured and self administered group of school districts, established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the PIP are elected.

As a member of the PIP, the district could be subject to supplemental assessments in the event of deficiencies. If the assets of the PIP were to be exhausted, members would become responsible for their respective shares of the PIP's liabilities.

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Financial Statements are available at the PIP's Administrator's Office, as follows:

Burton Agency           (201) 664-0310  
44 Bergen Street  
P. O. Box 270  
Westwood, NJ 07675

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 12. RISK MANAGEMENT (continued)**

**New Jersey Unemployment Compensation Insurance** - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<b><u>Fiscal year</u></b>	<b><u>Interest Earnings/ District Contributions</u></b>	<b><u>Employee Contributions</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Ending Balance</u></b>
2011-2012	\$42,527.39	\$12,713.04	\$65,014.90	\$4,308.29
2010-2011	84,027.61	16,900.21	96,235.29	14,082.76
2009-2010	20,035.84	17,515.12	42,116.15	9,390.23

**NOTE 13. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the District by inclusion of \$380,000.00 during the fiscal year ended June 30, 2001 and \$385,000.00 in subsequent years budgets for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). A district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$ 282.28
Interest earnings	102.01
Deposit:	
Board Resolution 7/18/2011	<u>150,000.00</u>
Ending balance, June 30, 2012	<u>\$150,384.29</u>

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2012**

**NOTE 13. CAPITAL RESERVE ACCOUNT (continued)**

The balance in the capital reserve account at June 30, 2012 does not exceed the balance of local support costs of uncompleted capital projects in its LFRP. Withdrawals from the capital reserve, where applicable, are for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan.

**NOTE 14. FUND BALANCE APPROPRIATED**

**General Fund [Exhibit B-1]** - Of the \$2,353,281.63 General Fund fund balance at June 30, 2012, \$69,330.00 is reserved for encumbrances; \$608,837.00 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$86,669.95 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012; \$150,384.29 has been reserved in the Capital Reserve Account; \$1,016,562.05 has been appropriated and included as anticipated revenue for the year ending June 30, 2012; and \$508,168.29 is unreserved and undesignated.

**Debt Service Fund** - Of the \$92.96 Debt Service Fund fund balance at June 30, 2012, \$-0- has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and \$92.96 is unreserved and undesignated.

**NOTE 15. CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$608,837.01. Of this amount, \$522,167.06 is the result of current year operation, and \$86,669.95 is the result of prior year operations.

**NOTE 16. RETROACTIVE RESTATEMENT DUE TO PRIOR PERIOD RESTATEMENT**

Prior Period Statement:

Fixed assets had been manually updated for additions and deletions for several years. During the current year, the fixed asset company came in to take a full inventory.

	<u>Governmental Fund</u>	<u>Enterprise Fund</u>
Net assets - Balance,		
beginning of year, as previously reported	8,311,744.29	24,921.64
Prior period adjustment - fixed assets	( 450,797.85)	<u>704.00</u>
Net Assets - Balance		
beginning of year, as restated	<u>7,860,946.44</u>	<u>25,625.64</u>



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2012**

**NOTE 17. INVENTORY**

Inventory in the Food Service Fund at June 30, 2012 consisted of the following:

Food	\$5,786.19
Supplies	<u>1,055.70</u>
	<u>\$6,841.89</u>

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as deferred revenue.

**NOTE 18. CONTINGENT LIABILITIES**

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - The District's Counsel advises us they are not aware of any litigation claims or assessments pending or threatened against the Board.

**REQUIRED SUPPLEMENTARY STATEMENTS  
PART II**

## **BUDGETARY COMPARISON SCHEDULE**

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 1 of 10**

<b>REVENUES:</b>				
<b>Local Sources:</b>				
Local Tax Levy	13,608,854.00	-	13,608,854.00	-
Tuition - Other LEA's Within the State	3,440,771.00	-	3,440,771.00	40,916.26
Interest Earned on Capital Reserve Funds	12.00	-	12.00	90.01
Other Restricted Miscellaneous Revenue	112,059.00	-	112,059.00	(98,413.75)
Tuition - Other Sources	188,364.00	-	188,364.00	98,156.32
Unrestricted Miscellaneous Revenue	17,350,060.00	-	17,350,060.00	134,088.44
<b>Total - Local Sources</b>			<b>17,524,897.28</b>	<b>174,837.28</b>
<b>State Sources:</b>				
Categorical Special Education Aid	526,895.00	-	526,895.00	-
Equalization Aid	1,176,874.00	150,000.00	1,326,874.00	-
Post School Outcomes Cohort 5	-	-	1,800.00	1,800.00
Non Public Transportation Aid	-	-	14,268.00	14,268.00
Extraordinary Aid	-	-	289,278.00	289,278.00
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	257,644.00	257,644.00
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	27,649.00	27,649.00
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	573,515.00	573,515.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	635,698.60	635,698.60
<b>Total State Sources</b>	<b>1,703,769.00</b>	<b>150,000.00</b>	<b>1,853,769.00</b>	<b>1,799,852.60</b>
<b>Federal Sources:</b>				
Medicaid Reimbursement	13,244.00	-	13,244.00	9,191.47
Educational Jobs Fund	80,664.00	2,527.00	83,191.00	(0.71)
<b>Total Federal Sources</b>	<b>93,908.00</b>	<b>2,527.00</b>	<b>96,435.00</b>	<b>9,190.76</b>
<b>Total Revenues</b>	<b>19,147,737.00</b>	<b>152,527.00</b>	<b>19,300,264.00</b>	<b>1,983,880.64</b>
<b>EXPENDITURES:</b>				
<b>Current Expense:</b>				
<b>Regular Programs - Instruction:</b>				
Preschool - Salaries of Teachers	26,068.00	14,011.00	40,079.00	751.53
Kindergarten - Salaries of Teachers	135,671.00	(4,900.00)	130,771.00	376.75
Grades 1-5 - Salaries of Teachers	1,382,542.00	(3,830.30)	1,378,711.70	908.49
Grades 6-8 - Salaries of Teachers	864,436.00	41,468.00	905,904.00	38.03
Grades 9-12 - Salaries of Teachers	2,498,306.00	45,106.00	2,543,412.00	-
Regular Programs - Home Instruction:				
Salaries of Teachers	8,621.00	(4,600.00)	4,021.00	197.62
Purchased Professional-Educational Services	1,615.00	(1,400.00)	215.00	215.00

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 2 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	6,584.00	53,095.00	59,679.00	59,236.02	442.98
Purchased Technical Services	465.00	(422.00)	43.00	43.00	43.00
Other Purchased Services (400-500 series)	49,304.68	922.00	50,226.68	45,886.56	4,340.12
General Supplies	200,097.00	(19,891.00)	180,206.00	178,901.64	1,304.36
Textbooks	52,237.00	(18,907.00)	33,330.00	30,551.08	2,778.92
Other Objects	11,408.79	(4,970.00)	6,438.79	5,025.02	1,413.77
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>5,237,355.47</b>	<b>95,681.70</b>	<b>5,333,037.17</b>	<b>5,320,226.60</b>	<b>12,810.57</b>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	256,686.00	7,363.00	264,049.00	264,001.69	47.31
Other Salaries for Instruction	1,200.00	(1,200.00)			-
General Supplies	2,720.00	729.00	3,449.00	2,826.56	622.44
Textbooks	397.00	-	397.00	88.05	308.95
<b>Total Learning and/or Language Disabilities</b>	<b>261,003.00</b>	<b>6,892.00</b>	<b>267,895.00</b>	<b>266,916.30</b>	<b>978.70</b>
Resource Room/Resource Center:					
Salaries of Teachers	878,173.00	2,980.00	881,153.00	876,381.65	4,771.35
Other Salaries for Instruction	88,036.75	(3,518.00)	84,518.75	82,863.13	1,655.62
General Supplies	9,030.00	261.00	9,291.00	8,951.86	339.14
Textbooks	8,447.00	(5,220.00)	3,227.00	3,167.35	59.65
<b>Total Resource Room/Resource Center</b>	<b>983,686.75</b>	<b>(5,497.00)</b>	<b>978,189.75</b>	<b>971,363.99</b>	<b>6,825.76</b>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	23,603.00	(717.00)	22,886.00	21,495.67	1,390.33
Other Salaries for Instruction	1,200.00	(1,121.00)	79.00	79.00	79.00
General Supplies	408.00	107.00	515.00	514.37	0.63
<b>Total Preschool Disabilities - Part-Time</b>	<b>25,211.00</b>	<b>(1,731.00)</b>	<b>23,480.00</b>	<b>22,010.04</b>	<b>1,469.96</b>
Preschool Disabilities - Full- Time					
Salaries of Teachers	63,458.00	2,574.00	66,032.00	64,924.11	1,107.89
Other Salaries for Instruction	13,564.00	11,315.00	24,879.00	24,871.16	7.84
General Supplies	408.00	172.00	580.00	575.94	4.06
<b>Total Preschool Disabilities - Full- Time</b>	<b>77,430.00</b>	<b>14,061.00</b>	<b>91,491.00</b>	<b>90,371.21</b>	<b>1,119.79</b>
Home Instruction:					
Salaries of Teachers	35,918.50	(5,527.00)	30,391.50	30,391.50	-
Purchased Professional - Educational Services	343.00	13,749.00	14,092.00	10,311.06	3,780.94
Total Home Instruction	36,261.50	8,222.00	44,483.50	40,702.56	3,780.94
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>1,383,592.25</b>	<b>21,947.00</b>	<b>1,405,539.25</b>	<b>1,391,364.10</b>	<b>14,175.15</b>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 3 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction					
Salaries of Teachers	62,764.00	5,166.00	67,930.00	67,528.16	401.84
Purchased Technical Services	-	4,535.00	4,535.00	4,535.00	-
Total Basic Skills/Remedial - Instruction	62,764.00	9,701.00	72,465.00	72,063.16	401.84
Bilingual Education - Instruction					
Salaries of Teachers	79,476.00	14,806.00	94,282.00	94,277.81	4.19
General Supplies	1,350.00	-	1,350.00	1,350.00	-
Total Bilingual Education - Instruction	80,826.00	14,806.00	95,632.00	94,277.81	1,354.19
School-Spon. Cocurricular Activities Inst.					
Salaries	62,211.00	4,195.00	66,406.00	65,219.39	1,186.61
Purchased Services (300-500 Series)	7,900.00	(2,765.00)	5,135.00	5,104.28	30.72
Supplies and Materials	5,600.00	(1,430.00)	4,170.00	1,749.17	2,420.83
Other Objects	925.00	150.00	1,075.00	1,047.43	27.57
Transfers to Cover Deficit ( Agency Funds)	20,100.00	-	20,100.00	2,500.00	17,600.00
Total School-Spon. Cocurricular Activities. - Inst.	96,736.00	150.00	96,886.00	75,620.27	21,265.73
School-Spon. Athletics - Inst.					
Salaries	225,189.00	(7,000.00)	218,189.00	201,531.72	16,657.28
Purchased Services (300-500 Series)	40,054.00	10,849.00	50,903.00	39,930.91	10,972.09
Supplies and Materials	50,056.00	7,873.00	57,929.00	48,267.56	9,661.44
Other Objects	49,192.00	(11,722.00)	37,470.00	8,327.07	29,142.93
Transfers to Cover Deficit ( Agency Funds)	49,316.00	-	49,316.00	29,000.00	20,316.00
Total School-Spon. Athletics - Inst.	413,807.00	-	413,807.00	327,057.26	86,749.74
Total Instruction	7,275,080.72	142,285.70	7,417,366.42	7,280,609.20	136,757.22
Undistributed Expenditures - Instruction:					
Tuition to Other LEAS Within the State - Special	140,770.00	(128,186.00)	12,584.00	12,584.00	-
Tuition to County Voc. School Dist.- Regular	487,721.00	(27,347.00)	460,374.00	460,373.10	0.90
Tuition to County Voc. School Dist.- Special	9,832.00	3,933.00	13,765.00	13,764.60	0.40
Tuition to CSSD & Regional Day Schools	183,000.00	(10,241.00)	172,759.00	172,019.51	739.49
Tuition to Private School for Disabled w/in State	952,851.00	(3,996.00)	948,855.00	944,143.48	4,711.52
Tuition - State Facilities	30,750.00	-	30,750.00	30,750.00	-
Tuition - Other	37,900.00	(8,827.00)	29,073.00	29,073.00	-
Total Undistributed Expenditures - Instruction:	1,842,824.00	(174,664.00)	1,668,160.00	1,662,707.69	5,452.31

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 4 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expend. - Attend. & Social Work					
Salaries	18,342.00	572.00	18,914.00	18,913.62	0.38
Supplies and Materials	2,500.00	-	2,500.00	941.00	1,559.00
Total Undistributed Expend. - Attend. & Social Work	20,842.00	572.00	21,414.00	19,854.62	1,559.38
Undist. Expend. - Health Services					
Salaries	221,154.00	(22,143.00)	199,011.00	199,008.76	2.24
Purchased Professional and Technical Services	12,000.00	2,515.00	14,515.00	14,254.92	260.08
Other Purchased Services (400-500 Series)	174.00	-	174.00	173.25	0.75
Supplies and Materials	6,131.00	2,875.00	9,006.00	8,221.47	784.53
Other Objects	375.00	-	375.00	290.00	85.00
Total Undistributed Expenditures - Health Services	239,834.00	(16,753.00)	223,081.00	221,948.40	1,132.60
Undist. Expend.-Speech, OT,PT & Related Services					
Salaries	131,813.00	(1,837.00)	129,976.00	129,975.15	0.85
Purchased Professional - Educational Services	105,344.00	68,128.00	173,472.00	164,185.85	9,286.15
Supplies and Materials	2,150.00	-	2,150.00	1,286.56	863.44
Total Undist. Expend.-Speech, OT, PT & Related Services	239,307.00	66,291.00	305,598.00	295,447.56	10,150.44
Undist. Expend.- Other Supp. Serv. Students - Extra. Serv.					
Salaries	419,950.58	102,029.30	521,979.88	519,002.54	2,977.34
Purchased Professional- Educational Services	281,046.00	(155,034.00)	126,012.00	117,102.50	8,909.50
Supplies and Materials	4,897.00	3,138.00	8,035.00	8,031.44	3.56
Other Object	1,252.00	-	1,252.00	785.24	466.76
Total Undist. Expend.- Other Supp. Serv. Students - Extra Serv.	707,145.58	(49,866.70)	657,278.88	644,921.72	12,357.16
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	343,444.51	31,573.00	375,017.51	367,555.52	7,461.99
Salaries of Secretarial and Clerical Assistants	49,483.00	990.00	50,473.00	50,472.96	0.04
Purchased Professional- Educational Services	1,415.00	7,580.00	8,995.00	8,130.00	865.00
Other Purchased Prof. And Tech. Services	19,610.27	520.00	20,130.27	17,508.46	2,621.81
Other Purchased Services (400-500 series)	2,600.00	(1,966.00)	634.00	634.00	0.00
Supplies and Materials	9,250.00	2,675.00	11,925.00	10,008.37	1,916.63
Other Objects	800.00	-	800.00	250.00	550.00
Total Undist. Expend. - Guidance	426,602.78	41,372.00	467,974.78	453,925.31	14,049.47

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 5 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Child Study Team					
Salaries of Other Professional Staff	280,334.42	5,338.00	285,672.42	285,664.06	8.36
Salaries of Secretarial and Clerical Assistants	72,646.00	3,304.00	75,950.00	75,827.28	122.72
Other Salaries	-	110.00	110.00	109.50	0.50
Other Purchased Prof. And Tech. Services	16,550.00	10,258.00	26,808.00	26,199.50	608.50
Miscellaneous Purchased Services (400-500 series)	1,410.00	-	1,410.00	416.05	993.95
Supplies and Materials	4,790.00	(801.00)	3,989.00	3,169.44	819.56
Total Undist. Expend. - Child Study Team	375,730.42	18,209.00	393,939.42	391,385.83	2,553.59
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	139,679.00	(19,461.00)	120,218.00	120,142.69	75.31
Salaries of Other Professional Staff	4,125.00	11,550.00	15,675.00	15,631.25	43.75
Salaries of Secr and Clerical Assist.	16,939.00	520.00	17,459.00	17,458.86	0.14
Other Objects	40.00	-	40.00	40.00	0.00
Total Undist. Expend. - Improvement of Inst. Serv.	160,783.00	(7,391.00)	153,392.00	153,232.80	159.20
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	66,047.00	13,975.00	80,022.00	79,923.24	98.76
Purchased Professional and Technical Services	16,697.00	280.00	16,977.00	4,288.60	12,688.40
Other Purchased Services (400-500 Series)	22,130.00	(21,542.00)	588.00	82.50	505.50
Supplies and Materials	15,060.75	29,017.00	44,077.75	43,981.82	95.93
Total Undist. Expend. - Edu. Media Serv./Sch. Library	119,934.75	21,730.00	141,664.75	128,276.16	13,388.59
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	34,420.00	(11,035.00)	23,385.00	22,912.40	472.60
Salaries of Other Professional Staff	-	1,218.00	1,218.00	1,217.09	0.91
Purchased Professional - Educational Service	-	6,120.00	6,120.00	6,118.90	1.10
Other Purchased Prof. and Tech. Services	-	50.00	50.00	-	50.00
Other Purchased Services (400-500 series)	5,984.00	1,329.00	7,313.00	7,292.97	20.03
Other Objects	-	240.00	240.00	240.00	-
Total Undist. Expend. - Instructional Staff Training Serv.	40,404.00	(2,078.00)	38,326.00	37,781.36	544.64



**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Exhibit C-1  
Page 6 of 10

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	245,383.00	6,831.00	252,214.00	252,176.01	37.99
Legal Services	57,518.00	(5,501.00)	52,017.00	20,048.87	31,968.13
Audit Fees	32,950.00	-	32,950.00	16,150.00	16,800.00
Architectural/Engineering Services	-	17,683.00	17,683.00	2,550.00	15,133.00
Other Purchased Professional Services	12,100.00	(6,045.00)	6,055.00	5,785.00	270.00
Purchased Technical Services	16,058.00	7,796.00	23,854.00	20,061.39	3,792.61
Communications/Telephone	90,085.00	-	90,085.00	80,632.96	9,452.04
BOE Other Purchased Services	2,260.00	(2,260.00)	-	-	-
Other Purchased Services (400-500 series)	63,733.00	2,069.00	65,802.00	60,814.17	4,987.83
General Supplies	3,452.35	1,332.00	4,784.35	4,558.72	225.63
Judgments Against the School District	632.00	(632.00)	-	-	-
Miscellaneous Expenditures	4,292.00	10,674.00	14,966.00	13,986.70	979.30
BOE Membership Dues and Fees	10,674.00	(10,674.00)	-	-	-
Total Undist. Expend. - Supp. Serv. - General Admin.	539,137.35	21,273.00	560,410.35	476,763.82	83,646.53
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	473,285.00	8,114.00	481,399.00	479,403.85	1,995.15
Salaries of Other Professional Staff	42,300.00	485.00	42,785.00	42,784.80	0.20
Salaries of Secretarial and Clerical Assistants	170,527.00	11,941.00	182,468.00	180,059.71	2,408.29
Purchased Professional and Technical Services	-	1,715.00	1,715.00	1,715.00	-
Other Purchased Services (400-500 series)	14,007.00	(6,664.00)	7,343.00	3,462.61	3,880.39
Supplies and Materials	8,230.00	8,109.00	16,339.00	16,264.80	74.20
Other Objects	6,025.00	(74.00)	5,951.00	4,947.00	1,004.00
Total Undist. Expend. - Support Serv. - School Admin.	714,374.00	23,626.00	738,000.00	726,922.77	11,077.23
Undist. Expend. - Central Services					
Salaries	299,253.89	32,728.00	331,981.89	331,979.46	2.43
Purchased Professional Services	-	151.00	151.00	-	151.00
Purchased Technical Services	22,098.00	1,510.00	23,608.00	23,344.30	263.70
Misc. Purchased Services (400-500 series)	11,622.69	(507.00)	11,115.69	10,183.25	932.44
Supplies and Material	5,916.39	885.00	6,801.39	6,748.77	52.62
Miscellaneous Expenditures	2,506.00	62.00	2,568.00	2,568.00	-
Total Undist. Expend. - Central Services	341,396.97	34,829.00	376,225.97	374,823.78	1,402.19
Undist. Expend. - Admin. Info. Tech					
Salaries	56,995.00	5,800.00	62,795.00	62,794.23	0.77
Purchased Professional Services	-	8.00	8.00	-	8.00
Purchased Technical Services	15,859.00	(610.00)	15,249.00	13,378.42	1,870.58
Supplies and Material	11,500.00	2,083.00	13,583.00	12,262.05	1,320.95
Total Undist. Expend. - Admin. Info. Tech.	84,354.00	7,281.00	91,635.00	88,434.70	3,200.30

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 7 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Required Maint for School Facilities					
Cleaning, Repair and Maintenance Services	172,408.00	31,423.00	203,831.00	196,101.20	7,729.80
General Supplies	10,147.00	3,080.00	13,227.00	12,317.55	909.45
Other Objects	1,046.00	420.00	1,466.00	1,283.00	183.00
Total Undist. Expend. - Required Maint for School Facilities	183,601.00	34,923.00	218,524.00	209,701.75	8,822.25
Undist. Expend. - Custodial Services					
Salaries	838,831.84	37,707.00	876,538.84	861,870.06	14,668.78
Salaries of Non-Instructional Aides	28,606.00	7,800.00	36,406.00	34,294.62	2,111.38
Purchased Professional and Technical Services	2,448.00	2,350.00	4,798.00	4,788.00	10.00
Cleaning, Repair and Maintenance Services	72,587.00	(28,523.00)	44,064.00	33,893.15	10,170.85
Rental of Land & Bldg. Oth. Than Lease Pur Agrmt	1.00	-	1.00	-	1.00
Other Purchased Property Services	20,196.00	2,100.00	22,296.00	22,225.50	70.50
Insurance	78,658.00	-	78,658.00	77,721.00	937.00
Miscellaneous Purchased Services	2,964.00	(650.00)	2,314.00	575.00	1,739.00
General Supplies	111,349.00	(9,800.00)	101,549.00	66,272.17	35,276.83
Energy (Electricity)	232,803.00	(88,294.00)	144,509.00	111,237.05	33,271.95
Energy (Natural Gas)	202,509.00	49,794.00	252,303.00	252,152.05	150.95
Energy (Gasoline)	4,400.00	-	4,400.00	2,999.16	1,400.84
Other Objects	1,575.00	-	1,575.00	330.25	1,244.75
Total Undist. Expend. - Custodial Services	1,596,927.84	(27,516.00)	1,569,411.84	1,468,358.01	101,053.83
Undistributed Expenditures - Care of Upkeep of Grounds					
Salaries	93,907.00	12,720.00	106,627.00	106,482.01	144.99
Cleaning, Repair, and Maintenance Services	50,640.00	15,400.00	66,040.00	65,956.59	83.41
General Supplies	5,400.00	8,092.00	13,492.00	13,485.92	6.08
Other Objects	-	168.00	168.00	167.96	0.04
Total Care and Upkeep of Grounds	149,947.00	36,380.00	186,327.00	186,092.48	234.52
Total Undist. Expend. - Oper. & Maint. Plant Services	1,930,475.84	43,787.00	1,974,262.84	1,864,152.24	110,110.60
Undist. Expend. - Student Transportation Serv.					
Management Fee - ESC & CTSA Transportation Program	1,246.00	29.00	1,275.00	1,275.00	-
Contracted Services - (Bet. Home and Sch) - Vendors	204,124.00	-	204,124.00	204,123.80	0.20
Contracted Services - (Other than Bet. Home & Sch) - Vendors	135,815.00	(18,365.00)	117,450.00	108,106.35	9,343.65
Contracted Services - (Bet. Home and Sch) - Joint Agreements	3,830.00	8,435.00	12,265.00	12,264.06	0.94
Contracted Services - (Sp Ed Stds) - Vendors	114,986.00	(1,735.00)	113,251.00	68,848.02	44,402.98
Contract Services - (Sp Ed Stds) - Joint Agreements	917.00	1,145.00	2,062.00	2,061.54	0.46
Contract Services - (Reg. Students) - ESCS & CTSA	48,444.00	721.00	49,165.00	49,137.00	28.00
Contract Services - (Spl. Ed. Students) - ESCS & CTSA	262,282.00	31,057.00	293,339.00	293,291.29	47.71
Contract Services - Aid in Lieu of Payments - NonPub Sch	58,344.00	5,304.00	63,648.00	61,158.09	2,489.91
Contract Services - Aid in Lieu of Payments - Charter School	884.00	(884.00)	-	-	-
Total Undist. Expend. - Student Transportation Serv.	830,872.00	25,707.00	856,579.00	800,265.15	56,313.85

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Exhibit C-1  
Page 8 of 10**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Supp. Serv. - Students - Extraordinary Serv. Employee Benefits Health Benefits	4,495.00	(4,495.00)	-	-	-
Total Other Supp Serv - Students - Extraordinary	4,495.00	(4,495.00)	-	-	-
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	216,598.52	15,506.00	232,104.52	231,696.05	408.47
Other Retirement Contributions - PERS	218,464.00	5,661.00	224,125.00	222,226.89	1,898.11
Other Retirement Contributions - Regular	9,075.00	(9,075.00)	-	-	-
Unemployment Compensation	107,000.00	-	107,000.00	45,928.73	61,071.27
Workmen's Compensation	171,871.00	-	171,871.00	171,871.00	-
Health Benefits	3,001,593.00	(180,806.00)	2,820,787.00	2,248,980.86	571,806.14
Tuition Reimbursement	64,500.00	(34,500.00)	30,000.00	30,000.00	-
Other Employee Benefits	93,408.00	-	93,408.00	64,592.81	28,815.19
TOTAL UNALLOCATED BENEFITS	3,882,509.52	(203,214.00)	3,679,295.52	3,015,296.34	663,999.18
On-behalf TPAF Pension and Annuity Fund (non-budgeted)				257,644.00	(257,644.00)
On-behalf TPAF NCGI Premium (non-budgeted)				27,649.00	(27,649.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)				573,515.00	(573,515.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				635,698.60	(635,698.60)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	1,494,506.60	(1,236,862.60)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	3,882,509.52	(203,214.00)	3,679,295.52	4,509,802.94	(572,863.42)
TOTAL UNDISTRIBUTED EXPENDITURES	12,501,022.21	(153,784.70)	12,347,237.51	12,850,646.85	(245,765.34)
TOTAL GENERAL CURRENT EXPENSE	19,776,102.93	(11,499.00)	19,764,603.93	20,131,256.05	(109,008.12)
<b>CAPITAL OUTLAY</b>					
Equipment					
Regular Programs - Instruction:					
Grades 9-12	-	29,060.00	29,060.00	4,550.00	24,510.00
Special Education - Instruction					
Undistributed Expenditures - Support Services - Related & Extra.	8,763.00	(8,510.00)	253.00	-	253.00
Undistributed Expenditures - Care and Upkeep of Grounds	16,395.00	(16,000.00)	395.00	-	395.00
Total Equipment	25,158.00	4,550.00	29,708.00	4,550.00	25,158.00
Facilities Acquisition and Construction Services					
Construction Services	134,700.00	-	134,700.00	128,375.00	6,325.00
Assessment for Debt Service on SDA Funding	20,110.00	-	20,110.00	20,110.00	-
Total Facilities Acquisition and Construction Services	154,810.00	-	154,810.00	148,485.00	6,325.00
TOTAL CAPITAL OUTLAY	179,968.00	4,550.00	184,518.00	153,035.00	31,483.00

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Exhibit C-1  
Page 9 of 10

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Transfer to Charter School	23,720.00	(23,720.00)			-
<b>SPECIAL SCHOOLS</b>					
Other Special Schools - Instruction	-	2,880.00	2,880.00	2,480.00	400.00
Salaries of Teachers	-	1,573.00	1,573.00	389.70	1,183.30
General Supplies	-	4,453.00	4,453.00	2,869.70	1,583.30
Total Other Special Schools - Instruction					
Other Special Schools - Support Services:					
Personal Services - Employee Benefits	-	147.00	147.00	110.16	36.84
Total Other Special Schools - Support Services:	-	147.00	147.00	110.16	36.84
<b>TOTAL SPECIAL SCHOOLS</b>	-	4,600.00	4,600.00	2,979.86	1,620.14
Total Expenditures	19,979,790.93	(26,069.00)	19,953,721.93	20,287,270.91	(75,904.98)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(832,053.93)	178,596.00	(653,457.93)	996,873.73	1,650,331.66
Other Financing Sources:					
Operating Transfer out - Enterprise Fund		(28,596.00)	(28,596.00)	(21,696.00)	6,900.00
Total Other Financing Sources:	-	(28,596.00)	(28,596.00)	(21,696.00)	6,900.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(832,053.93)	150,000.00	(682,053.93)	975,177.73	1,657,231.66
Fund Balance, July 1	1,549,336.90		1,549,336.90	1,549,336.90	
Fund Balance, June 30	717,282.97	150,000.00	867,282.97	2,524,514.63	1,657,231.66
<b>Recapitulation of excess (deficiency) of revenues under expenditures:</b>					
Adjustment for prior year encumbrances	(148,472.93)		(148,472.93)	(148,472.93)	-
Budgeted fund Balance	(683,593.00)		(683,593.00)	973,548.65	1,657,141.65
Budgeted Increase Capital Reserve Principal		150,000.00	150,000.00	150,000.00	-
Increase in capital reserve:					
Interest	12.00		12.00	102.01	90.01
	(832,053.93)	150,000.00	(682,053.93)	975,177.73	1,657,231.66

BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit C-1  
Page 10 of 10

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Recapitulation:</b>					
Committed Fund Balance:					
Year End Encumbrances				69,330.00	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				1,016,562.05	
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				86,669.95	
Excess Surplus				522,167.05	
Capital Reserve				150,384.29	
Unassigned Fund Balance				679,401.29	
				<u>2,324,514.63</u>	
Reconciliation to Governmental Fund Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(171,233.00)	
Fund Balance per Governmental Funds (GAAP)				<u><u>2,353,281.63</u></u>	

**BUTLER BOROUGH SCHOOL DISTRICT  
EDUCATION JOBS FUND - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Education Jobs Fund:					
Federal Sources:					
Education Jobs Fund	80,664.00	2,527.00	83,191.00	83,190.29	(0.71)
Total Federal Sources	80,664.00	2,527.00	83,191.00	83,190.29	(0.71)
Total Revenues	80,664.00	2,527.00	83,191.00	83,190.29	(0.71)
EXPENDITURES:					
Education Jobs Fund					
Regular Programs - Instruction:					
Grades 1-5 - Salaries of Teachers	21,343.70		21,343.70	21,343.70	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	21,343.70	-	21,343.70	21,343.70	-
Undist. Expend.- Other Supp. Serv. Students - Extra. Serv.					
Salaries of Teachers	49,366.30		49,366.30	49,366.30	
Total Undist. Expend.- Other Supp. Serv. Students - Extra Serv.	49,366.30	-	49,366.30	49,366.30	-
Unallocated Benefits					
Health Benefits	9,554.00	2,527.00	12,481.00	12,481.00	
Total Unallocated Benefits	9,554.00	2,527.00	12,481.00	12,481.00	-
Total Expenditures	80,264.00	2,527.00	83,191.00	83,191.00	-

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources		11,656.81	11,656.81	2,674.93	(8,981.88)
State Sources	53,734.00	3,216.00	56,950.00	53,352.33	(3,597.67)
Federal Sources	290,980.00	204,907.73	495,887.73	413,775.15	(82,112.58)
<b>Total Revenues</b>	<b>344,714.00</b>	<b>219,780.54</b>	<b>564,494.54</b>	<b>469,802.41</b>	<b>(94,692.13)</b>
<b>EXPENDITURES:</b>					
Instruction					
Personal Services - Salaries	45,803.00	10,959.87	56,762.87	56,762.87	-
Other Purchased Services	199,666.00	13,486.00	213,152.00	213,152.00	-
General supplies	9,322.00	42,150.54	51,472.54	39,422.69	12,049.85
<b>Total Instruction</b>	<b>254,791.00</b>	<b>66,596.41</b>	<b>321,387.41</b>	<b>309,337.56</b>	<b>12,049.85</b>
Support Services					
Personal Services - Salaries		45,930.24	45,930.24	15,011.02	30,919.22
Employee Benefits	9,161.00	8,355.78	17,516.78	12,436.98	5,079.80
Purchased professional and technical services	80,762.00	63,277.19	144,039.19	112,377.31	31,661.88
Other Purchased Prof. Services		24,033.91	24,033.91	15,416.83	8,617.08
Supplies and Materials		11,587.01	11,587.01	5,222.71	6,364.30
<b>Total Support Services</b>	<b>89,923.00</b>	<b>153,184.13</b>	<b>243,107.13</b>	<b>160,464.85</b>	<b>82,642.28</b>
<b>Total Expenditures</b>	<b>344,714.00</b>	<b>219,780.54</b>	<b>564,494.54</b>	<b>469,802.41</b>	<b>94,692.13</b>
<b>Total Outflows</b>	<b>344,714.00</b>	<b>219,780.54</b>	<b>564,494.54</b>	<b>469,802.41</b>	<b>94,692.13</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**BUTLER BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULES  
BUDGET - TO - GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note A - Explanation of Difference between Budgetary Inflows and  
GAAP Revenues and Expenditures**

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1] 21,284,144.64	[C-2]	469,802.41
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Add: Prior Year Encumbrances			61,279.29
Less: Current Year Encumbrances			(360.00)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognized the related expense (GASB 33):			
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(171,233.00)		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	120,555.00		
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>21,233,466.64</u>	[B-2]	<u>530,721.70</u>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 20,287,270.91	[C-2]	469,802.41
Differences - budget to GAAP.			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:			
Add: Prior Year Encumbrances			61,279.29
Less: Current Year Encumbrances			(360.00)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>20,287,270.91</u>	[B-2]	<u>530,721.70</u>



## **OTHER SUPPLEMENTARY INFORMATION**

**BUTLER BOROUGH SCHOOL DISTRICT**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Total Brought Forward From (Ex. E-1a)	Title I Part - A Improving Basic Programs	Title I Part - A Improving Basic Programs Carryover	Title II Teacher/Parent Training & Recruiting	Title II Part - A Carryover	Title II Part - D Enhancing Technology Thru Educ. Carryover	Title III English Language Acquisition	Total 2012
<b>REVENUES:</b>								
Federal sources	275,522.74	61,681.00	24,607.22	23,935.50	14,990.10	95.00	12,943.59	413,775.15
State sources	53,352.33							53,352.33
Local sources	2,674.93							2,674.93
<b>Total Revenues</b>	<b>331,550.00</b>	<b>61,681.00</b>	<b>24,607.22</b>	<b>23,935.50</b>	<b>14,990.10</b>	<b>95.00</b>	<b>12,943.59</b>	<b>469,802.41</b>
<b>EXPENDITURES:</b>								
<b>Instruction:</b>								
Personal Services - Salaries	140.40	46,056.63	5,446.85				5,118.99	56,762.87
Other Purchased Services	213,152.00							213,152.00
General supplies	16,648.50	7,755.00	7,969.00				7,050.19	39,422.69
<b>Total instruction</b>	<b>229,940.90</b>	<b>53,811.63</b>	<b>13,415.85</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,169.18</b>	<b>309,337.56</b>
<b>Support Services:</b>								
Personnel services - Salaries	15,011.02							15,011.02
Employee Benefits	2,831.83	7,869.37	961.37				774.41	12,436.98
Purchased prof. - & Tech. Services	76,788.21			17,000.00	8,359.10			102,147.31
Other purchased services	1,850.33		10,230.00	6,935.50	6,631.00			25,646.83
Supplies and Materials	5,127.71					95.00		5,222.71
<b>Total support services</b>	<b>101,609.10</b>	<b>7,869.37</b>	<b>11,191.37</b>	<b>23,935.50</b>	<b>14,990.10</b>	<b>95.00</b>	<b>774.41</b>	<b>160,464.85</b>
<b>Total Expenditures</b>	<b>331,550.00</b>	<b>61,681.00</b>	<b>24,607.22</b>	<b>23,935.50</b>	<b>14,990.10</b>	<b>95.00</b>	<b>12,943.59</b>	<b>469,802.41</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**BUTLER BOROUGH SCHOOL DISTRICT**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Total Brought Forward From (Ex. E-1b)	I.D.E.A. Basic      Carryover		Preschool	Readiness & Emergency Management For Schools Carryover	Total Carried Forward To (Ex. E-1)
<b>REVENUES:</b>						
Federal sources	-	231,417.10	10,450.49	8,351.00	25,304.15	275,522.74
State sources	53,352.33					53,352.33
Local sources	2,674.93					2,674.93
<b>Total Revenues</b>	<b>56,027.26</b>	<b>231,417.10</b>	<b>10,450.49</b>	<b>8,351.00</b>	<b>25,304.15</b>	<b>331,550.00</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Personal Services - Salaries	-		140.40			140.40
Other Purchased Services	21,324.00	191,828.00				213,152.00
General supplies	10,278.05	8.91	6,361.54			16,648.50
<b>Total Instruction</b>	<b>31,602.05</b>	<b>191,836.91</b>	<b>6,501.94</b>	<b>-</b>	<b>-</b>	<b>229,940.90</b>
<b>Support Services:</b>						
Personnel services - Salaries	-				15,011.02	15,011.02
Employee Benefits	-		10.74		2,821.09	2,831.83
Purchased prof. - & Tech. Services	23,925.21	39,580.19	3,937.81	8,351.00	994.00	76,788.21
Other purchased services	-				1,850.33	1,850.33
Supplies and Materials	500.00				4,627.71	5,127.71
<b>Total support services</b>	<b>24,425.21</b>	<b>39,580.19</b>	<b>3,948.55</b>	<b>8,351.00</b>	<b>25,304.15</b>	<b>101,609.10</b>
<b>Total Expenditures</b>	<b>56,027.26</b>	<b>231,417.10</b>	<b>10,450.49</b>	<b>8,351.00</b>	<b>25,304.15</b>	<b>331,550.00</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**BUTLER BOROUGH SCHOOL DISTRICT**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Total Brought Forward From (Ex. E-1c)	Non Public Auxiliary Services		Non Public Handicapped Services			Total Carried Forward To (Ex. E-1a)
		Non-Public	Chapter 192	Examination & Classification	Chapter 193 Corrective Speech	Supplemental Instruction	
		Nursing	Textbook	Comp. Ed.			
<b>REVENUES:</b>							
Federal sources	-						-
State sources	-	11,660.00	8,103.12	16,062.00	6,950.24	5,262.00	53,352.33
Local sources	2,674.93						2,674.93
<b>Total Revenues</b>	<b>2,674.93</b>	<b>11,660.00</b>	<b>8,103.12</b>	<b>16,062.00</b>	<b>6,950.24</b>	<b>5,262.00</b>	<b>56,027.26</b>
<b>EXPENDITURES:</b>							
Instruction:							
Personal Services - Salaries	-			16,062.00			-
Other Purchased Services	-					5,262.00	21,324.00
General supplies	2,174.93		8,103.12				10,278.05
<b>Total Instruction</b>	<b>2,174.93</b>	<b>-</b>	<b>8,103.12</b>	<b>16,062.00</b>	<b>-</b>	<b>5,262.00</b>	<b>31,602.05</b>
Support Services:							
Personnel services - Salaries	-						-
Employee Benefits	-						-
Purchased prof. - & Tech. Services	-	11,660.00			6,950.24		23,925.21
Other purchased services	-						-
Supplies and Materials	500.00						500.00
<b>Total support services</b>	<b>500.00</b>	<b>11,660.00</b>	<b>-</b>	<b>-</b>	<b>6,950.24</b>	<b>-</b>	<b>24,425.21</b>
<b>Total Expenditures</b>	<b>2,674.93</b>	<b>11,660.00</b>	<b>8,103.12</b>	<b>16,062.00</b>	<b>6,950.24</b>	<b>5,262.00</b>	<b>56,027.26</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-	-

BUTLER BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Target Grant	Slam Dunk Trash Grant	Play 60 Grant	Total Carried Forward To (Ex. E-1b)
REVENUES:				
Federal sources				
State sources	942.85	500.00	1,232.08	2,674.93
Local sources				
Total Revenues	942.85	500.00	1,232.08	2,674.93
EXPENDITURES:				
Instruction:				
Personal Services - Salaries				-
Other Purchased Services				-
General supplies	942.85		1,232.08	2,174.93
Total Instruction	942.85	-	1,232.08	2,174.93
Support Services:				
Personnel services - Salaries				-
Employee Benefits				-
Purchased prof. - & Tech. Services				-
Other purchased services		500.00		500.00
Supplies and Materials				
Total support services	-	500.00	-	500.00
Total Expenditures	942.85	500.00	1,232.08	2,674.93
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Revenue and Other Financing Sources**

Interest Income	34.00
-----------------	-------

Total Revenues	34.00
----------------	-------

**Expenditures and Other Financing Uses**

Purchased professional and technical services	-
Construction services	63,690.18
Equipment Purchases	96,542.11

Total Expenditures	160,232.29
--------------------	------------

Excess (deficiency) of revenue over (under) expenditures	(160,198.29)
--	--------------

**Other Financing Sources (Uses)****Operating Transfer Out:**

Interest transferred to Debt Service Fund	(34.00)
---	---------

Excess (deficiency) of revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(160,232.29)
--	--------------

Fund balance - beginning	255,780.13
--------------------------	------------

Fund balance - ending	95,547.84
-----------------------	-----------

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
2004 DISTRICT WIDE BUILDING AND SITE IMPROVEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SCC Grant	3,193,097.00		3,193,097.00	3,193,097.00
Bond proceeds and transfers	4,447,238.00		4,447,238.00	4,447,238.00
Transferred - Capital Reserve Fund	400,000.00		400,000.00	400,000.00
Total Revenues	8,040,335.00	-	8,040,335.00	8,040,335.00
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	1,286,706.72		1,286,706.72	1,286,706.72
Constructions services	5,255,439.98	63,690.18	5,319,130.16	5,319,130.16
Equipment purchases	1,434,498.12		1,434,498.12	1,434,498.12
Total expenditures	7,976,644.82	63,690.18	8,040,335.00	8,040,335.00
Excess ( deficiency) or revenues over (under) expenditures	\$ 63,690.18	\$ (63,690.18)	\$ -	\$ -
<b>Additional project information:</b>				
Project Number	Butler H.S. 0630-020-1437 Richard Butler E.S. 0630-030-0941 Butler H.S. 0630-020-03-0942 Aaron Decker E.S. 0630-025-0943			
Grant Date	12/9/2003			
Bond Authorization Date	12/9/2003			
Bonds Authorized	4,447,238.00			
Bonds Issued	4,447,000.00			
Original Authorized Cost	8,040,335.00			
Additional Authorized Cost				
Revised Authorized Cost	8,040,335.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	100.00%			
Original target completion date	Aug-05			
Revised target completion date	Jun-12			

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
TECHNOLOGY AND SECURITY UPGRADES - BUTLER HIGH SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SCC Grant	119,140.00		119,140.00	119,140.00
Transferred - Capital Reserve Fund	178,710.00		178,710.00	178,710.00
Total Revenues	<u>297,850.00</u>	<u>-</u>	<u>297,850.00</u>	<u>297,850.00</u>
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	-		-	2,700.00
Constructions services	138,199.00		138,199.00	138,199.00
Equipment purchases	57,197.05	59,930.91	117,127.96	156,951.00
Total expenditures	<u>195,396.05</u>	<u>59,930.91</u>	<u>255,326.96</u>	<u>297,850.00</u>
Excess ( deficiency) or revenues over (under) expenditures	<u>\$ 102,453.95</u>	<u>\$ (59,930.91)</u>	<u>\$ 42,523.04</u>	<u>\$ -</u>

**Additional project information:**

Project Number 0630-025-09-1002

Grant Date	6/19/2009
Bond Authorization Date	
Bonds Authorized	
Bonds Issued	-
Original Authorized Cost	297,850.00
Additional Authorized Cost	-
Revised Authorized Cost	297,850.00

Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	85.72%
Original target completion date	Jun-11
Revised target completion date	Jun-12



**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
TECHNOLOGY AND SECURITY UPGRADES - AARON DECKER ELEMENTARY SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SCC Grant	38,950.00		38,950.00	38,950.00
Transferred - Capital Reserve Fund	58,425.00		58,425.00	58,425.00
Total Revenues	<u>97,375.00</u>	<u>-</u>	<u>97,375.00</u>	<u>97,375.00</u>
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	-		-	2,700.00
Constructions services	56,659.00		56,659.00	56,659.00
Equipment purchases	<u>21,941.10</u>	<u>5,112.35</u>	<u>27,053.45</u>	<u>38,016.00</u>
Total expenditures	<u>78,600.10</u>	<u>5,112.35</u>	<u>83,712.45</u>	<u>97,375.00</u>
Excess ( deficiency) or revenues over (under) expenditures	<u>\$ 18,774.90</u>	<u>\$ (5,112.35)</u>	<u>\$ 13,662.55</u>	<u>\$ -</u>

**Additional project information:**

Project Number 0630-025-09-1003

Grant Date 6/19/2009  
Bond Authorization Date  
Bonds Authorized  
Bonds Issued -  
Original Authorized Cost 97,375.00  
Additional Authorized Cost -  
Revised Authorized Cost 97,375.00

Percentage Increase over Original  
Authorized Cost 0.00%  
Percentage completion 85.97%  
Original target completion date Jun-11  
Revised target completion date Jun-12

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
TECHNOLOGY AND SECURITY UPGRADES - BUTLER MIDDLE SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SCC Grant	59,410.00		59,410.00	59,410.00
Transferred - Capital Reserve Fund	89,115.00		89,115.00	89,115.00
Total Revenues	<u>148,525.00</u>	<u>-</u>	<u>148,525.00</u>	<u>148,525.00</u>
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	-		-	2,700.00
Constructions services	50,286.00		50,286.00	50,286.00
Equipment purchases	27,377.90	31,498.85	58,876.75	95,539.00
Total expenditures	<u>77,663.90</u>	<u>31,498.85</u>	<u>109,162.75</u>	<u>148,525.00</u>
Excess ( deficiency) or revenues over (under) expenditures	<u>\$ 70,861.10</u>	<u>\$ (31,498.85)</u>	<u>\$ 39,362.25</u>	<u>\$ -</u>

**Additional project information:**

Project Number 0630-025-09-1004

Grant Date 6/19/2009  
Bond Authorization Date  
Bonds Authorized  
Bonds Issued -  
Original Authorized Cost 148,525.00  
Additional Authorized Cost -  
Revised Authorized Cost 148,525.00

Percentage Increase over Original  
Authorized Cost 0.00%  
Percentage completion 73.50%  
Original target completion date Jun-11  
Revised target completion date Jun-12

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

PROJECT DESCRIPTION	STATE PLAN NUMBER	APPROPRIATION	EXPENDITURES		UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	
2004 District Wide Building and Site Improvements	*	\$ 8,040,335.00	\$ 7,976,644.82	\$ 63,690.18	\$ (0.00)
Athletic Field Renovation Project	0630-020-08-1000	3,046,756.00	3,046,000.00		756.00
Technology and Security Upgrades - Butler High School	0630-025-09-1002	297,850.00	195,396.05	59,930.91	42,523.04
Technology and Security Upgrades - Aaron Decker Elementary School	0630-025-09-1003	97,375.00	78,600.10	5,112.35	13,662.55
Technology and Security Upgrades - Butler Middle School	0630-025-09-1004	148,525.00	77,663.90	31,498.85	39,362.25
		\$ 11,630,841.00	\$ 11,374,304.87	\$ 160,232.29	\$ 96,303.84
Project Balance					96,303.84
Unfunded Authorizations					(756.00)
Fund Balance (Deficit) - June 30, 2011					95,547.84

\* Contains various State Plan Numbers:

Butler H.S. 0630-020-1437  
Richard Butler E.S. 0630-030-0941  
Butler H.S. 0630-020-03-0942  
Aaron Decker E.S. 0630-025-03-0943

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

	<u>Food Service Program</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	41,206.16
Accounts receivable:	
State - Lunch	135.62
Federal - Lunch	2,683.58
Federal - Milk	39.75
Inventories	6,841.89
	<hr/>
Total current assets	50,907.00
	<hr/>
NONCURRENT ASSETS:	
CAPITAL ASSETS:	
Equipment	100,291.50
Less: accumulated depreciation	(59,689.67)
	<hr/>
Total Capital Assets (Net of Accumulated Depreciation)	40,601.83
	<hr/>
TOTAL ASSETS	91,508.83
	<hr/> <hr/>
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Accounts payable	14,864.18
Interfund Payable:	
General Fund	10,201.81
Deferred Revenue	
Federal Food Distribution Program	1,806.99
	<hr/>
TOTAL LIABILITIES	26,872.98
	<hr/>
<u>NET ASSETS</u>	
Investment in Capital Assets Net of Related Debt	40,601.83
Unreserved (Deficit)	24,034.02
	<hr/>
TOTAL NET ASSETS	64,635.85
	<hr/> <hr/>

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Food Service Program</b>	<b>Butler School District Educational Foundation</b>	<b>Totals</b>
<b>OPERATING REVENUES:</b>			
Charges for services:			
Daily sales reimbursable programs:			
School lunch programs	297,997.93		297,997.93
Special functions	3,181.59		3,181.59
Total operating revenues	301,179.52	-	301,179.52
<b>OPERATING EXPENSES:</b>			
Salaries	131,801.84		131,801.84
Cost of food	150,905.29		150,905.29
Employee benefits	47,762.62		47,762.62
Supplies and materials	20,708.28		20,708.28
Depreciation	5,036.43		5,036.43
Management Fees	16,350.50		16,350.50
Repairs	1,835.50		1,835.50
Insurance	1,149.39		1,149.39
Miscellaneous	7,844.55	1,683.38	9,527.93
Total operating expenses	383,394.40	1,683.38	385,077.78
<b>OPERATING INCOME (LOSS)</b>	(82,214.88)	(1,683.38)	(83,898.26)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
State sources:			
State school lunch program	3,877.11		3,877.11
Federal sources:			
National school lunch program	75,965.33		75,965.33
Special milk program	996.74		996.74
Food distribution program	20,294.53		20,294.53
Interest revenue	78.76		78.76
Total non-operating revenues (expenses)	101,212.47	-	101,212.47
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	18,997.59	(1,683.38)	17,314.21
Operating transfer in (out)	21,696.00		21,696.00
<b>CHANGE IN NET ASSETS</b>	40,693.59	(1,683.38)	39,010.21
Total Net Assets - Balance, beginning of year as previously reported	23,238.26	1,683.38	24,921.64
Prior Period adjustment, fixed assets	704.00		
Total Net Assets - Balance, beginning of year as restated	23,942.26	1,683.38	24,921.64
<b>NET ASSETS - End of Year</b>	64,635.85	-	63,931.85

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Food Service Program</b>	<b>Butler School District Educational Foundation</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	301,179.52		301,179.52
Payments to employees for services	(131,801.84)		(131,801.84)
Payments to suppliers for goods and services	(224,614.08)	(1,683.38)	(226,297.46)
Net cash provided by (used for) operating activities	(55,236.40)	(1,683.38)	(56,919.78)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
State Sources	3,984.59		3,984.59
Federal Sources	78,096.40		78,096.40
Operating subsidies	21,696.00		21,696.00
Net cash provided by (used for) non-capital financing activities	103,776.99	-	103,776.99
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of equipment	(21,696.00)		(21,696.00)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on cash equivalents	78.76		78.76
Net cash provided by (used for) investing activities	78.76	-	78.76
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	26,923.35	(1,683.38)	25,239.97
<b>CASH AND CASH EQUIVALENTS, July 1</b>	14,282.81	1,683.38	15,966.19
<b>CASH AND CASH EQUIVALENTS, June 30</b>	41,206.16	-	41,206.16
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (Loss)	(82,214.88)	(1,683.38)	(83,898.26)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:			
Depreciation	5,036.43		5,036.43
Food distribution program	20,294.53		20,294.53
(Increase)/decrease in inventory	2,042.05		2,042.05
Increase/(decrease) in accounts payable	3,907.15		3,907.15
Increase/(decrease) in deferred revenue	(4,301.68)		(4,301.68)
Total adjustments	26,978.48	-	26,978.48
Net cash provided by (used for) operating activities	(55,236.40)	(1,683.38)	(56,919.78)

**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

**Academy for  
Law and Public  
Safety**

---

ASSETS

CURRENT ASSETS:

Accounts receivable:

Other

99,107.29

---

Total current assets

99,107.29

---

TOTAL ASSETS

99,107.29

---



---

LIABILITIES

CURRENT LIABILITIES:

Cash Deficit

98,057.29

Accounts payable

1,050.00

---

Total Current Liabilities

99,107.29

---



---

**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Academy for Law and Public Safety</u>
OPERATING REVENUES:	
Local sources:	
Fees from other LEA's within the State	533,962.01
Total operating revenues	<u>533,962.01</u>
OPERATING EXPENSES:	
Salaries	420,318.20
Employee benefits	95,109.59
Purchased property services	13,439.51
Supplies and materials	273.60
Miscellaneous	4,821.11
Total operating expenses	<u>533,962.01</u>
OPERATING INCOME (LOSS)	<u>-</u>
NET ASSETS, July 1	<u>-</u>
NET ASSETS, June 30	<u><u>-</u></u>



**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Academy for Law and Public Safety</u>
CASH FLOWS USED BY OPERATING ACTIVITIES:	
Cash receipts from customers	751,443.50
Cash payments to employees for services	(420,318.20)
Cash payments to suppliers for goods and services	<u>(114,318.45)</u>
Net cash used by operating activities	<u>216,806.85</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 216,806.85
 CASH AND CASH EQUIVALENTS, July 1	 <u>(314,864.14)</u>
CASH AND CASH EQUIVALENTS, June 30	<u><u>(98,057.29)</u></u>
 Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating income	-
Adjustments to reconcile operating loss to cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in accounts payable	(674.64)
(Increase)/decrease in accounts receivable	<u>217,481.49</u>
Net cash used by operating activities	<u><u>216,806.85</u></u>

BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	Scholarship Funds		Unemployment Compensation Insurance	Agency Fund
	High School Scholarship	M. Williams Memorial Fund		
ASSETS:				
Cash and cash equivalents	121,243.44	959.63	4,308.29	409,753.70
TOTAL ASSETS	121,243.44	959.63	4,308.29	409,753.70
LIABILITIES:				
Payroll deductions and withholdings				8,277.39
Accrued Salaries and Wages				305,183.67
Flexible Spending				5,366.24
Interfund Payable - General Fund				22.82
Payable to student groups				90,903.58
Total liabilities	-	-	-	409,753.70
NET ASSETS:				
Reserved for unemployment claims			4,308.29	
Reserved for Other Purposes	121,243.44	959.63		

**BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Scholarship Funds		Unemployment
	High School Scholarship	M. Williams Memorial Fund	Compensation Insurance Trust
<b>ADDITIONS</b>			
Contributions:			
Donations	13,900.00		
Plan Member			12,713.04
Board - Budget			42,504.62
Total Contributions	<u>13,900.00</u>	<u>-</u>	<u>55,217.66</u>
Investment Earnings:			
Interest	<u>135.19</u>	<u>76.02</u>	<u>22.77</u>
Net Investment Earnings	<u>135.19</u>	<u>76.02</u>	<u>22.77</u>
Total Additions	<u>14,035.19</u>	<u>76.02</u>	<u>55,240.43</u>
<b>DEDUCTIONS</b>			
Scholarships	15,250.00	50.00	
Unemployment compensation assessments			65,014.90
Total operating expenses	<u>15,250.00</u>	<u>50.00</u>	<u>65,014.90</u>
OPERATING INCOME (LOSS)	<u>(1,214.81)</u>	<u>26.02</u>	<u>(9,774.47)</u>
NET ASSETS, July 1	<u>122,458.25</u>	<u>933.61</u>	<u>14,082.76</u>
NET ASSETS, June 30	<u>121,243.44</u>	<u>959.63</u>	<u>4,308.29</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
Interfund-Special Revenue Fund	1,000.00		1,000.00	-
High School Activities Fund	38,520.96	148,012.25	123,847.01	62,686.20
High School Athletic Fund	574.61	47,460.17	47,684.02	350.76
Richard Butler School	25,851.53	54,220.82	55,814.23	24,258.12
Aaron Decker Elementary School	5,236.09	17,660.36	19,287.95	3,608.50
Total all schools	<u>71,183.19</u>	<u>267,353.60</u>	<u>247,633.21</u>	<u>90,903.58</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
<b>ASSETS:</b>				
Cash	261,703.07	13,323,726.69	13,266,579.64	318,850.12
Interfund Receivable - Capital Projects Fund	710.28	710.28		
<b>TOTAL ASSETS</b>	<u>262,413.35</u>	<u>13,324,436.97</u>	<u>13,266,579.64</u>	<u>318,850.12</u>
 <b>LIABILITIES:</b>				
Payroll deductions and withholdings	1,774.48	5,435,829.50	5,429,326.59	8,277.39
Net Payroll		7,534,578.46	7,534,578.46	-
Accrued Salaries and Wages	255,225.03	304,423.12	254,464.48	305,183.67
Flexible Spending	5,413.84	36,159.75	36,207.35	5,366.24
Due to Unemployment Compensation Account		12,713.04	12,713.04	-
Interfund Payable - General Fund		22.82		22.82
<b>TOTAL LIABILITIES</b>	<u>262,413.35</u>	<u>13,323,726.69</u>	<u>13,267,289.92</u>	<u>318,850.12</u>

**BUTLER BOROUGH SCHOOL DISTRICT**  
**GENERAL LONG TERM DEBT ACCOUNT GROUP**  
**STATEMENT OF SERIAL BONDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities	Interest Rate	Balance July 1, 2011	Increased	Retired	Balance June 30, 2012			
School Bonds of 2004	02/01/2004	4,447,000	2/1/2013	3.750%	205,000						
			2/1/2014	3.750%	215,000		2,867,000.00	420,000.00			
School Bonds of 2009	07/01/2009	3,046,000	7/1/2012	2.000%	155,000						
			7/1/2013	2.000%	165,000						
			7/1/2014	2.000%	175,000						
			7/1/2015	2.000%	180,000						
			7/1/2016	2.750%	190,000						
			7/1/2017	2.750%	200,000						
			7/1/2018	3.000%	201,000						
			7/1/2019	3.000%	250,000						
			7/1/2020	3.500%	255,000						
			7/1/2021	4.000%	265,000						
			7/1/2022	4.000%	275,000						
			7/1/2023	4.000%	285,000						
			7/1/2024	4.000%	300,000	3,046,000.00		150,000.00	2,896,000.00		
Refunding School Bonds of 2012	02/01/12	2,920,000	2/1/2013	2.000%	50,000						
			2/1/2014	2.000%	30,000						
			2/1/2015	3.000%	255,000						
			2/1/2016	3.000%	265,000						
			2/1/2017	2.000%	275,000						
			2/1/2018	2.526%	285,000						
			2/1/2019	2.000%	295,000						
			2/1/2020	2.000%	300,000						
			2/1/2021	2.000%	300,000						
			2/1/2022	2.150%	295,000						
			2/1/2023	2.250%	290,000						
			2/1/2024	2.375%	280,000						
									2,920,000.00		2,920,000.00
									6,333,000.00	2,920,000.00	3,017,000.00

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
AS OF JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>				
Local sources:				
Local tax levy	520,956.00	520,956.00	520,956.00	-
Total revenues - local sources	520,956.00	520,956.00	520,956.00	-
State sources:				
Debt service aid type II	54,427.00	54,427.00	54,427.00	-
Total state sources	54,427.00	54,427.00	54,427.00	-
<b>Total Revenues</b>	<b>575,383.00</b>	<b>575,383.00</b>	<b>575,383.00</b>	<b>-</b>
<b>EXPENDITURES</b>				
Regular debt service:				
Redemption of principal	345,000.00	345,000.00	345,000.00	-
Interest	230,383.00	230,383.00	230,383.00	-
Total regular debt service	575,383.00	575,383.00	575,383.00	-
<b>Total Expenditures</b>	<b>575,383.00</b>	<b>575,383.00</b>	<b>575,383.00</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources:				
Operating Transfers In:				
Interest Earned in Capital Projects Fund			34.00	34.00
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	34.00	34.00
Fund Balances, July 1	58.96	58.96	58.96	-
Fund Balances, June 30	58.96	58.96	92.96	34.00
<b>Recapitulation of excess (deficiency) of revenues under expenditures:</b>				
Budgeted fund Balance			34.00	34.00

## **STATISTICAL SECTION**



## OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit #

### **Financial Trends Information/Schedules**

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances-Governmental Funds
J-4	Changes in Fund Balances. Governmental Funds
J-5	General Fund Other Local Revenue by Source

### **Revenue Capacity Information**

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current year and nine years ago)
J-9	Property Tax Levies and Collections

### **Debt Capacity Information**

J-10	Ratios or Outstanding Debt by Type
J-11	Ratios of General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt
J-13	Legal Debt Margin Information

### **Demographic and Economic Information**

J-14	Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago

### **Operating Information**

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Allowable Maintenance Expenditures by School
J-20	Insurance Schedule

## BUTLER BOARD OF EDUCATION

Net Assets by Component,  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	2,825,791	2,812,529	5,344,345	6,349,976	6,426,969	6,551,758	9,750,634	6,991,051	7,131,488	6,881,350
Restricted	449,850	7,278,659	1,390,963	850,068	1,096,665	1,211,898	(2,000,291)	1,117,637	1,174,857	854,862
Unrestricted	476,570	(3,174,707)	(126,960)	(148,842)	(17,670)	(224,059)	(105,198)	53,858	5,399	1,167,925
Total governmental activities net assets	3,752,210	6,916,481	6,608,348	7,051,202	7,505,955	7,539,596	7,645,145	8,162,545	8,311,744	8,904,136
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	12,172	14,990	16,876	12,706	24,011	20,270	25,259	22,859	23,238	40,602
Unrestricted	9,878	51	(8,887)	840	3,099	2,673	1,683	1,683	1,683	24,034
Total business-type activities net assets	22,050	15,041	7,989	13,546	27,110	22,943	26,942	24,542	24,922	64,636
<b>District-wide</b>										
Invested in capital assets, net of related debt	2,837,963	2,827,519	5,361,221	6,362,682	6,450,981	6,572,028	9,775,893	7,013,910	7,154,727	6,921,952
Restricted	449,850	7,278,659	1,390,963	850,068	1,096,665	1,211,898	(2,000,291)	1,117,637	1,174,532	1,940,320
Unrestricted	486,447	(3,174,656)	(135,847)	(148,001)	(14,571)	(221,387)	(103,514)	55,541	7,408	106,501
Total district net assets	3,774,261	6,931,522	6,616,337	7,064,749	7,533,065	7,562,540	7,672,087	8,187,087	8,336,666	8,968,772

Source: CAFR Schedule A-1

**BUTLER BOARD OF EDUCATION**

**Changes in Net Assets, Last Ten Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2011	2012	
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	6,047,894	6,437,182	7,371,779	7,598,914	8,185,681	8,519,834	7,918,877	8,513,283	8,103,959	
Special education	1,279,091	1,375,750	1,608,873	1,660,427	1,899,998	2,077,437	1,907,976	1,981,418	1,958,308	
Other special education	181,357	135,981	247,401	237,163	277,065	292,877	352,899	180,200	233,048	
Other instruction	375,119	388,594	483,966	485,435	529,374	476,157	476,202	499,713	512,650	
Support Services:										
Tuition	574,802	721,564	690,303	844,034	890,928	904,426	1,146,319	1,635,041	1,662,708	
Student & instruction related services	2,332,795	2,392,234	2,887,310	2,993,763	3,378,562	3,355,669	3,124,360	2,913,323	3,351,044	
General administrative services	441,275	511,688	557,543	524,948	560,145	619,386	586,584	687,278	581,001	
School administrative services	887,752	916,065	943,102	986,942	1,074,137	1,189,393	1,162,591	1,035,799	1,016,618	
Central Services and Admin. Info. Tech.	356,840	291,286	422,841	448,921	499,661	573,142	693,654	592,060	644,271	
Plant operations and maintenance	1,626,795	1,856,318	1,960,153	2,159,217	2,320,754	2,389,635	2,307,900	2,081,170	2,235,827	
Pupil transportation	544,419	627,005	618,328	671,402	726,250	746,664	797,756	776,673	800,265	
Special Schools									2,980	
Capital Outlay - Non-depreciable										
Charter Schools		7,966	8,063	21,096	17,218	23,881	31,298	34,580		
Interest on Long term debt		72,576	174,482	168,562	162,860	156,892	150,547	285,587	194,450	
Unallocated Benefits	1,102,141	1,301,280	48,257	66,840	65,465	74,309	74,309	101,774	95,110	
Unallocated depreciation and Amortization	153,282	140,782	140,782	210,866	145,970	141,486	6,830	518,927	416,443	
Total governmental activities expenses	15,903,542	17,178,270	18,163,183	19,077,931	20,724,068	21,543,436	20,738,103	21,857,782	21,808,681	
Business-type activities:										
Food service	431,183	439,115	425,808	486,605	480,421	497,129	485,211	418,290	383,394	
Butler School District Educational Foundation				1,325	2,802	1,922	2,109		1,683	
Total business-type activities expense	431,183	439,115	425,808	487,929	483,223	499,051	487,320	418,290	385,078	
Total district expenses	16,334,725	17,615,385	18,588,990	19,565,860	21,207,291	22,042,487	21,225,423	22,276,072	22,193,759	
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction (tuition)	126,911	187,093	223,896	290,539	328,127	308,726	312,159	531,794	533,962	
Support Services (General Admin. Services)	1,895	3,311	3,575	3,009	3,200	2,315				
Support Services (Central Services & Admin. Info.)	35,317	8,863	11,596	18,903	16,200	19,164	30,340			
Support Services (Unallocated Benefits)	13,739	36,806	48,257	66,840	65,465	76,557	74,309			
Operating grants and contributions	3,813,999	3,878,748	4,000,335	4,678,889	4,992,568	5,028,279	4,373,068	4,401,601	4,012,409	
Capital Grants and Contributions				149,845				19,671		
Total governmental activities program revenues	3,991,861	4,114,921	4,287,658	5,207,925	5,405,561	5,435,040	4,789,875	4,953,066	4,546,371	
Business-type activities:										
Charges for services										
Food service	296,477	329,973	343,676	375,263	387,460	371,920	359,049	306,365	301,180	
Butler School District Educational Foundation				2,165	5,060	1,496	1,120			
Operating grants and contributions	70,982	78,996	70,073	88,108	93,851	92,382	91,418	95,928	101,134	
Total business type activities program revenues	367,459	408,969	413,749	465,536	486,371	465,798	451,587	402,294	402,313	
Total district program revenues	4,359,320	4,523,790	4,701,407	5,673,361	5,891,932	5,900,838	5,241,461	5,355,360	4,948,684	
<b>Net (Expense)/Revenue</b>										
Governmental activities	(11,911,681)	(13,061,449)	(13,875,524)	(13,870,106)	(15,318,507)	(16,108,396)	(15,948,228)	(16,904,716)	(17,262,310)	
Business-type activities	(63,724)	(30,145)	(12,059)	(22,393)	3,148	(33,253)	(35,734)	(15,996)	17,235	
Total district-wide net expense	(11,975,405)	(13,091,594)	(13,887,583)	(13,892,499)	(15,315,359)	(16,141,649)	(15,983,962)	(16,920,713)	(17,245,075)	

**BUTLER BOARD OF EDUCATION**

**Changes in Net Assets, Last Ten Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2011	2012	
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes, net	9,043,116	9,514,444	9,517,144	10,189,908	10,845,708	11,242,269	11,861,884	13,384,947	13,608,854	
Taxes levied for debt service	3,000,182	6,597,926	3,213,328	285,328	250,262	302,498	323,759	434,979	520,956	
Unrestricted grants and contributions	104,478	117,439	3,553,955	3,671,707	4,359,387	4,504,192	3,760,524	3,127,184	3,762,996	
Miscellaneous income	(75,000)	(4,090)	151,452	192,833	325,358	119,921	156,618	123,092	434,390	
Transfers	12,072,777	16,225,719	13,539,605	(26,815)	(7,455)	(26,842)	(39,008)	(16,286)	(21,696)	
Total governmental activities				14,312,961	15,773,260	16,142,036	16,053,777	17,053,916	18,305,500	
Business-type activities:										
Investment earnings	158	301	732	1,136	2,960	2,244	725	89	79	
Transfers	75,000	4,090	4,274	26,815	7,455	26,842	39,008	16,286	21,696	
Total business-type activities	75,158	4,391	5,006	27,951	10,415	29,086	39,732	16,376	21,775	
Total district-wide	12,147,935	16,230,110	13,544,612	14,340,912	15,783,675	16,171,124	16,093,509	17,070,291	18,327,275	
<b>Change in Net Assets</b>										
Governmental activities	161,097	3,164,271	(335,919)	442,855	454,753	33,641	105,549	149,199	1,043,190	
Business-type activities	11,434	(25,754)	(7,052)	5,557	13,563	(4,167)	3,999	379	39,010	
Total district	172,531	3,138,516	(342,971)	448,412	468,316	29,475	109,548	149,579	1,082,200	

Source: CAFR Schedule A-2

## BUTLER BOARD OF EDUCATION

Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	463,504	136,722	331,946	574,953	929,472	1,125,464	786,367	490,144	86,952	759,221
Unreserved	1,159,672	1,158,535	415,999	471,767	578,560	371,087	486,229	618,064	148,473	69,330
Restricted									683,593	1,016,562
Committed									509,764	509,168
Assigned										
Unassigned										
Total general fund	1,623,177	1,295,257	747,945	1,046,720	1,508,032	1,496,551	1,252,595	1,108,208	1,428,782	2,353,282
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	(2,919)	(991)	(985)	(858)	(1,021)	(1,004)				
Capital projects fund	45,491	7,141,937	1,059,017	183,157	140,721	81,864	(2,834,872)	616,603	255,780	95,548
Debt service fund		35,563	105,567	91,959	26,462	4,570	68,214	10,890	59	93
Total all other governmental funds	42,572	7,176,510	1,163,599	274,256	166,162	85,430	(2,766,656)	627,493	255,839	95,641

Source: CAFR Schedule B-1

**BUTLER BOARD OF EDUCATION**

**Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2003	2004	2005	2006	2007
<b>Revenues</b>					
Tax levy	\$ 9,043,116	\$ 9,514,444	\$ 9,838,472	\$ 10,475,236	\$ 11,095,970
Miscellaneous	3,496,755	3,556,877	3,739,223	4,422,702	4,839,897
State sources	3,150,761	6,698,167	3,644,567	3,754,374	4,447,935
Federal sources	271,144	339,070	321,951	366,354	389,481
Other sources					
Total revenue	15,961,776	20,108,558	17,544,214	19,018,665	20,773,282
<b>Expenditures</b>					
Instruction					
Regular Instruction	4,887,768	5,075,050	5,280,041	5,243,438	5,444,760
Special education instruction	1,035,119	1,095,760	1,152,424	1,160,794	1,272,542
Other special instruction	146,482	107,623	175,685	163,345	182,089
Other instruction	326,517	328,994	384,590	372,950	400,504
Support Services:					
Tuition	574,802	721,564	690,303	844,034	890,928
Student & instruction related services	1,953,544	1,968,424	2,152,127	2,172,049	2,389,185
General administrative services	387,830	482,407	462,531	438,354	454,111
School Administrative services	703,942	715,649	676,424	692,248	713,940
Central Services	258,150	264,152	296,645	319,210	340,405
Plant operations and maintenance	1,409,529	1,603,723	1,569,686	1,702,495	1,786,958
Pupil transportation	544,064	627,005	618,328	671,402	726,250
Unallocated employee benefits	3,285,440	3,727,946	4,198,619	4,517,179	5,358,387
Special Schools					
Charter Schools		7,966	8,063	21,096	17,218
Capital outlay	217,911	1,019,187	6,113,369	942,930	115,068
Debt Service:					
Principal			145,000	150,000	155,000
Interest and Other Charges			176,328	170,891	165,266
Total expenditures	15,731,098	17,745,450	24,100,162	19,582,416	20,412,611
Excess (Deficiency) of revenues over (under) expenditures	230,678	2,363,108	(6,555,948)	(563,752)	360,672
<b>Other Financing sources (uses)</b>					
Capital leases (non-budgeted)					
Bond proceeds		4,447,000			
Transfers in		500,434	70,004	21,954	4,507
Transfers out	(75,000)	(504,524)	(74,278)	(48,770)	(11,962)
Total other financing sources (uses)	(75,000)	4,442,910	(4,274)	(26,815)	(7,455)
Net change in fund balances	\$ 155,678	\$ 6,806,018	\$ (6,560,222)	\$ (590,567)	\$ 353,216
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	1.786%	1.578%

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Services and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Services and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

**BUTLER BOARD OF EDUCATION**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
Tax levy	11,544,767	12,185,643	12,728,866	\$ 13,819,926	\$ 14,129,810
Miscellaneous	4,711,303	4,136,012	4,328,113	4,119,476	3,921,410
State sources	4,583,585	3,799,793	3,658,689	3,162,239	3,710,723
Federal sources	357,504	344,404	908,928	370,162	577,662
Other sources					
Total revenue	21,197,159	20,465,853	21,624,596	21,471,803	22,339,605
<b>Expenditures</b>					
Instruction					
Regular Instruction	5,637,960	5,546,178	5,941,556	5,846,475	5,635,075
Special education instruction	1,379,980	1,345,124	1,395,714	1,386,915	1,391,364
Other special instruction	193,016	249,286	265,576	125,417	166,341
Other instruction	353,304	371,368	405,219	384,841	402,678
Support Services:					
Tuition	904,426	1,146,319	1,122,267	1,635,041	1,662,708
Student & instruction related services	2,428,366	2,352,721	2,352,641	2,141,805	2,562,647
General administrative services	510,845	477,397	487,781	576,857	476,764
School Administrative services	788,985	823,909	840,140	725,798	726,923
Central Services	383,554	398,199	380,893	423,952	463,258
Plant operations and maintenance	1,852,575	1,871,539	1,791,912	1,698,834	1,864,152
Pupil transportation	746,664	796,855	816,402	776,673	800,265
Unallocated employee benefits	5,594,458	4,585,538	4,881,638	4,759,184	4,509,803
Special Schools					2,980
Charter Schools	23,881	31,298	21,094	20,958	
Capital outlay	140,062	3,198,893	263,369	525,311	313,267
Debt Service:					
Principal	165,000	175,000	180,000	190,000	345,000
Interest and Other Charges	159,453	153,264	175,953	288,536	230,383
Total expenditures	21,262,529	23,522,889	21,322,156	21,506,596	21,553,608
Excess (Deficiency) of revenues over (under) expenditures	(65,370)	(3,057,036)	302,440	(34,793)	785,997
<b>Other Financing sources (uses)</b>					
Capital leases (non-budgeted)			2,985,080		
Bond proceeds					
Transfers in	63			59	34
Transfers out	(26,906)	(39,008)	(37,757)	(16,345)	(21,730)
Total other financing sources (uses)	(26,842)	(39,008)	2,947,323	(16,286)	(21,696)
Net change in fund balances	\$ (92,213)	\$ (3,096,044)	\$ 3,249,763	\$ (51,079)	\$ 764,301
Debt service as a percentage of noncapital expenditures	1.536%	1.615%	1.690%	2.281%	2.709%

## BUTLER BOARD OF EDUCATION

General Fund - Other Local Revenue by Source  
Last Ten Fiscal Years*(modified accrual basis of accounting)*

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Misc.	Total
2003	13,390	3,427,519		55,846	3,496,755
2004	73,523	3,435,245		48,109	3,556,877
2005	97,631	3,585,471		56,121	3,739,223
2006	66,107	4,228,818		127,777	4,422,702
2007	83,996	4,513,919		241,981	4,839,897
2008	40,289	4,589,502	500	79,069	4,709,360
2009	9,360	3,979,245		79,109	4,067,714
2010	8,477	4,195,607		117,488	4,321,572
2011	5,349	3,879,915		225,597	4,110,861
2012	102	3,579,844		336,098	3,916,044

Source: District Records



## BUTLER BOARD OF EDUCATION

Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2002	7,410,100	240,417,500	600	37,518,400	12,143,000	9,297,000	306,786,600	512,719	307,299,319	2.864	581,253,348
2003	6,831,700	574,889,200	700	78,673,000	23,292,200	19,752,700	703,439,500	983,845	704,423,345	1.319	656,772,259
2004	7,147,200	574,723,400	700	79,590,700	23,097,900	20,033,100	704,593,000	927,864	705,520,864	1.389	724,864,879
2005	13,842,100	576,221,200	700	76,451,000	21,464,600	19,376,900	707,156,500	779,570	707,936,070	1.421	798,697,961
2006	9,790,500	576,504,800	700	91,338,000	21,098,000	19,503,000	718,235,000	636,438	718,871,438	1.503	919,323,327
2007	10,799,500	585,016,500	700	91,864,700	21,111,700	19,503,000	728,296,100	585,133	728,881,233	1.554	1,054,446,887
2008	16,397,800	586,831,500	700	95,096,200	21,111,700	19,503,000	738,940,900	618,978	739,559,878	1.604	1,063,094,765
2009	12,121,500	604,646,100	700	97,291,800	21,111,700	19,503,000	754,674,800	668,180	755,342,980	1.649	1,046,415,419
2010	9,011,100	607,178,300	700	101,070,800	20,911,700	19,503,000	757,675,600	669,437	758,345,037	1.747	1,060,156,595
2011	7,532,500	605,473,100	700	101,053,400	20,911,700	18,980,100	753,951,500	669,437	754,620,937	1.856	1,019,556,016

Source: District records Tax list summary &amp; Municipal Tax Assessor

**Note:** Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies<sup>b</sup> Tax rates are per \$100

## BUTLER BOARD OF EDUCATION

Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Butler Board of Education				Total Direct and Overlapping Tax Rate	
		General Obligation Debt	Total	Borough of		
	Basic Rate <sup>a</sup>	Service <sup>b</sup>	Direct	Butler	Morris County	
2002	2.864		2.864	1.15	0.56	4.57
2003	1.319		1.319	0.54	0.28	2.13
2004	0.758	0.631	1.389	0.56	0.29	2.24
2005	0.813	0.608	1.421	0.63	0.30	2.35
2006	0.925	0.578	1.503	0.674	0.323	2.50
2007	1.005	0.549	1.554	0.708	0.348	2.61
2008	1.086	0.518	1.604	0.757	0.336	2.70
2009	0.785	0.864	1.649	0.778	0.325	2.75
2010	0.498	1.249	1.747	0.814	0.32	2.88
2011	0.486	1.370	1.856	0.852	0.32	3.028

Source: District Records and Municipal Tax Collector

**Note:**

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the pre-budget year net budget by more than the spending growth limitation calculation.

**a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

**b** Rates for debt service are based on each year's requirements.

## BUTLER BOARD OF EDUCATION

Principal Property Tax Payers,  
Current Year and Nine Years Ago

Taxpayer	2011			2003		
	Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Inland Western Sutler Kinnelon LLC	12,805,000	1	1.70%			
Butler Gardens LLC	10,375,000	2	1.37%	6,462,200	1	0.92%
Butler Center Associates	8,324,900	3	1.10%	4,365,700	2	0.62%
1301 Realty Enterprises	7,576,800	4	1.00%	3,914,200	4	0.56%
Randell Corporation	5,310,500	5	0.70%	2,705,900	5	0.38%
MNB Realty CO, LLC	3,948,100	6	0.52%			
Butler Bowl, Inc.	3,939,100	7	0.52%	1,774,900	7	0.25%
Butler Printing & Lamination	3,596,400	8	0.48%	1,725,800	8	0.24%
1341 Route 23, Inc.	3,181,500	9	0.42%			
Bromat Enterprises	2,949,100	10	0.39%	1,095,000	9	0.16%
Town & Country @ Butler				4,284,000	3	0.61%
K.B. Associates				1,886,600	6	0.27%
D & G Group, LLC				1,057,000	10	0.14%
Total	<u>\$ 62,006,400</u>		<u>8.51%</u>	<u>\$ 29,271,300</u>		<u>4.15%</u>

Randell Corporation

Source: District CAFR &amp; Municipal Tax Assessor

## BUTLER BOARD OF EDUCATION

Property Tax Levies and Collections,  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	9,043,116	9,043,116	100.00%	-
2004	9,514,444	9,514,444	100.00%	-
2005	9,838,472	9,838,472	100.00%	-
2006	10,475,236	10,475,236	100.00%	-
2007	11,095,970	11,095,970	100.00%	-
2008	11,544,767	11,544,767	100.00%	-
2009	12,185,643	12,185,643	100.00%	-
2010	12,728,866	12,728,866	100.00%	-
2011	13,819,926	13,819,926	100.00%	-
2012	14,129,810	14,129,810	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form)

**Note:** School taxes are collected by the Municipal Tax Collector. Under New Jersey State a municipality is required to remit to the school district the entire property tax amount voted upon or certified prior to the end of the school.

## BUTLER BOARD OF EDUCATION

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Capital Leases			
2003	-	99,608	99,608	0.0219%	12.37
2004	4,447,000	71,071	4,518,071	0.9911%	563.00
2005	4,302,000	41,401	4,343,401	0.8927%	542.59
2006	4,152,000	-	4,152,000	0.8291%	521.74
2007	3,997,000	-	3,997,000	0.7472%	507.49
2008	3,832,000	-	3,832,000	0.6766%	481.65
2009	3,657,000	-	3,657,000	0.6156%	455.70
2010	6,523,000	-	6,523,000	1.1996%	811.12
2011	6,333,000	-	6,333,000	1.2022%	839.25
2012	6,236,000	-	6,236,000	N/A	822.47

Source: District CAFR Schedules I-1, I-2

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

## BUTLER BOARD OF EDUCATION

**Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2003		-	-	0.00%	-
2004	4,447,000	-	4,447,000	0.63%	556
2005	4,302,000	-	4,302,000	0.61%	541
2006	4,152,000	-	4,152,000	0.58%	527
2007	3,997,000		3,997,000	0.55%	502
2008	3,832,000		3,832,000	0.52%	478
2009	3,657,000		3,657,000	0.48%	455
2010	6,523,000		6,523,000	0.86%	864
2011	6,333,000		6,333,000	0.84%	835
2012	6,236,000		6,236,000	N/A	N/A

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

**a** See Exhibit NJ J-6 for property tax data.

**b** Population data can be found in Exhibit NJ J-14.

## BUTLER BOARD OF EDUCATION

Direct and Overlapping Governmental Activities Debt  
As of June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Borough of Butler	6,293,269	100.000%	6,293,269
<b>Other debt</b>			
Morris County	269,247,125	99.745%	268,559,737
Subtotal, overlapping debt			274,853,006
<b>Borough of Butler School District Direct Debt</b>			<u>6,236,000</u>
<b>Total direct and overlapping debt</b>			<u>\$ 281,089,006</u>

**Sources:** Borough of Butler Finance Officer, Morris County Finance Office and Utility Authorities

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Butler. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

**a** For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

## BUTLER BOARD OF EDUCATION

## Legal Debt Margin Information,

## Last Ten Fiscal Years

## Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2011	\$ 978,268,457
2010	1,015,514,810
2009	1,046,415,419
<b>[A]</b>	<b>\$ 3,040,198,686</b>
Average equalized valuation of taxable property	
<b>[A/3]</b>	<b>\$ 1,013,399,562</b>
Debt limit (4 % of average equalization value)	
<b>[B]</b>	<b>40,535,982 <sup>a</sup></b>
Net bonded school debt	
<b>[C]</b>	<b>6,236,000</b>
Legal debt margin	
<b>[B-C]</b>	<b>\$ 34,299,982</b>

	Fiscal Year,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 22,430,714	\$ 25,079,788	\$ 27,108,808	\$ 31,983,876	\$ 36,188,852	\$ 39,530,921	41,482,490	41,693,173	41,396,644	\$40,535,982
Total net debt applicable to limit	-	447,000	4,302,000	4,152,000	3,997,000	3,832,000	3,657,000	5,523,000	5,333,000	6,236,000
Legal debt margin	\$ 22,430,714	\$ 24,632,788	\$ 22,806,808	\$ 27,831,876	\$ 32,191,852	\$ 35,698,921	37,825,490	35,170,173	35,063,644	34,299,982
Total net debt applicable to the limit as a percentage of debt limit	0.00%	1.78%	15.87%	12.98%	11.04%	9.69%	8.82%	15.65%	15.30%	15.38%

Source: Abstract of Rates and District Records.

<sup>a</sup> Limit set by N.J.S.A. 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts



**BUTLER BOARD OF EDUCATION**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2002	8,050	454,197,100	56,422	5.0%
2003	8,025	455,852,100	56,804	4.9%
2004	8,005	486,543,900	60,780	4.2%
2005	7,958	500,796,940	62,930	2.9%
2006	7,876	534,922,168	67,918	3.1%
2007	7,956	566,395,596	71,191	2.8%
2008	8,025	594,050,625	74,025	3.7%
2009	8,042	543,751,788	67,614	6.4%
2010	7,546	526,793,806	69,811	6.4%
2011	7,582	N/A	N/A	6.2%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income had been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per Capita Personal Income provided by U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**BUTLER BOARD OF EDUCATION**

**Principal Employers,  
Current Year and Nine Years Ago**

	2011		2003	
	Employers	Percentage of Total Employment	Rank (Optional)	Percentage of Total Employment
Employer	Employees	Rank (Optional)	Employees	Rank (Optional)

No data is available to complete this schedule.

## BUTLER BOARD OF EDUCATION

## Full-time Equivalent District Employees by Function/Program,

## Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular	77.5	74.6	80.4	80.4	80.8	83.6	80.9	79.1	73.3	70.2
Special education	23.9	35.7	34.5	25.3	26.7	27.6	26.0	26.0	24.4	31.6
B.S. / Bilingual	3.0	3.0	3.0	3.0	3.0	3.0	4.2	4.7	3.5	1.8
Other Instruction	0.4	0.4	0.4	0.8	0.8	0.6	1.0	1.0	1.1	6.5
Support Services:										
Student & instruction related services	35.7	32.4	42.6	44.1	51.1	43.4	43.8	43.1	36.5	47.4
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
School administrative services	11.0	10.8	10.1	10.1	10.1	11.5	12.5	11.6	9.1	9.2
Central Services	5.0	4.9	4.8	4.7	4.7	4.9	4.9	4.4	4.5	4.5
Administrative Information Technology	N/A	N/A	0.5	0.1	0.1	0.5	0.5	0.5	0.5	0.4
Plant operations and maintenance	23.1	23.1	23.1	23.1	23.1	23.0	20.8	20.9	18.3	20.7
Pupil transportation	N/A	N/A	0.2	0.2	0.2	-	-	-	-	-
Food Service	9.8	9.8	9.8	1.1	1.1	1.1	1.1	1.1	-	-
Total	191.5	196.8	211.5	195.0	203.8	201.3	197.8	194.5	173.3	194.4

Source: District Personnel Records

## BUTLER BOARD OF EDUCATION

## Operating Statistics

Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2003	1,176.7	15,513,187	13,184	9.88%	101.95	12.73	9:92	11:73	1,176.7	1,120.3	-0.96%	95.21%
2004	1,146.3	16,726,263	14,592	10.68%	100.95	12.82	10:61	10:96	1,146.3	1,091.2	-2.58%	95.19%
2005	1,160.8	17,665,465	15,218	4.30%	102.20	13.65	10:23	10:81	1,160.8	1,106.7	1.26%	95.34%
2006	1,149.2	18,318,595	15,940	4.74%	101.40	12.76	11:56	10:36	1,149.2	1,093.5	-1.00%	95.15%
2007	1,183.3	19,977,277	16,883	5.91%	101.8	12.87	11:67	10:85	1,183.3	1,130.2	2.97%	95.51%
2008	1,202.8	20,798,014	17,291	2.42%	106.6	12.72	10:59	10:81	1,202.8	1,150.6	1.65%	95.60%
2009	1,174.5	19,995,732	17,025	-1.54%	101.67	13.40	10:14	11:23	1,174.5	1,126.8	-2.35%	95.94%
2010	1,188.8	20,702,834	17,415	2.29%	102.44	13.11	10:00	11:56	1,188.8	1,136.2	1.22%	95.58%
2011	1,131.2	20,502,749	18,125	4.08%	94.9	13.78	9:99	11:85	1,131.2	1,080.8	-4.85%	95.54%
2012	1,122.0	20,664,958	18,418	1.62%	104.73	11.89	11:46	9:6	1,122.0	1,076.4	-0.81%	95.94%

Sources: District records

## Note:

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.<sup>b</sup> Teaching staff are reported as Full time equivalents of certificated staff & includes High School Staff shared with the Morris County School of Technology Academy for Law Public Safety.<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

## BUTLER BOARD OF EDUCATION

## School Building Information

## Last Ten Fiscal Years

District Building	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Elementary</u>										
Aaron Decker (1966)										
Square Feet	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700
Capacity (students)	340	340	340	340	340	340	340	340	340	340
Enrollment	386	357	373	348	364	374	387	382	382	382
<u>Middle School</u>										
Richard Butler (1954)										
Square Feet	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710
Capacity (students)	330	330	330	330	330	330	330	330	330	330
Enrollment	270	289	282	319	307	292	277	260	260	260
<u>High School</u>										
Butler (1906)										
Square Feet	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530
Capacity (students)	541	541	541	541	541	541	541	541	541	541
Enrollment	521	501	506	482	512	536	511	547	547	547

Number of Schools at June 30, 2012

Elementary = 1

Middle School = 1

High School = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses.

Enrollment is based on the end of year School Register Summary Report.

Capacity for all years is based on the 2005 Department of Education functional Capacity.

## BUTLER BOARD OF EDUCATION

GENERAL FUND  
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY  
LAST NINE FISCAL YEARS  
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

*School Facilities	Project # (s)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Butler High School	N/A	124,313	62,724	73,714	97,167	\$ 63,256	\$ 81,560	\$ 73,866	\$ 57,753	\$ 79,299	\$ 72,298
Aaron Decker	N/A	33,649	30,910	25,806	35,565	28,809	58,100	26,985	28,006	36,765	25,239
Richard Butler	N/A	49,370	21,897	24,907	53,160	26,985	48,418	31,696	32,737	39,654	24,442
District	N/A	2,370									
Total School Facilities		209,702	115,531	124,427	185,892	119,051	188,078	132,547	118,496	155,718	121,979

(\*) School facilities as defined under EFCFA,  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

**BUTLER BOARD OF EDUCATION**  
**INSURANCE SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**UNAUDITED**

	<u>Limit</u>	<u>Deductible</u>
Property - Blanket Building & Contents	\$42,167,808.00	\$5,000.00
Comprehensive General Liability ( each occurrence)	1,000,000	
Comprehensive Crime Coverage - Employee theft	500,000	5,000
Comprehensive Crime Coverage - Forgery or Alteration	50,000	1,000
Boiler and Machinery		
Property Damage	100,000,000	1,000
School Board Legal Liability		
Limit of Liability	1,000,000	15,000
Employment Practices Liability	1,000,000	15,000
Faithful Performance of Duty Coverage For Government Employees	250,000	5,000
Commercial Automobile Liability	1,000,000	1,000
Public Official Bonds		
Treasurer - Jim Kozimor	218,000	N/A
Business Administrator - Board Secretary Debra Naley-Minnena	10,000	N/A
Enviromental Impairment Liability		
Each Occurance	1,000,000	15,000
Aggregate	3,000,000	
Program Aggregate	20,000,000	
Excess Liability Policy		
Each Occurance	9,000,000	
Additional Excess Liability Policy		
Each Occurance	50,000,000	
Aggregate	50,000,000	
Travel Accident Policy (Accident Death Dismemberment and Paralysis Benefit)		
Principal Sum	100,000	
Aggregate Limit	500,000	

Source: District Records

**SINGLE AUDIT SECTION**



# Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkottz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

K-1  
Page 1 of 2

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and  
Members of the Board of Education  
Borough of Butler School District  
County of Morris  
Butler, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Borough of Butler School District in the County of Morris, as of and for the fiscal year ended June 30, 2012, which collectively comprise the basic financial statements of the Board of Education of the Borough of Butler School District in the County of Morris and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Borough of Butler Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Butler Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Butler Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Butler Board of Education's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



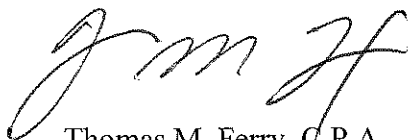
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

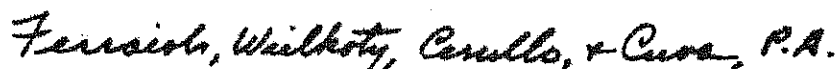
As part of obtaining reasonable assurance about whether the Borough of Butler Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain immaterial instances of noncompliance, that we reported to the Board of Education of the Borough of Butler School District in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 27, 2012.

This report is intended solely for the information of management, the Borough of Butler Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.



Thomas M. Ferry, C.P.A.  
Licensed Public School Accountant  
No. 20CS00209100



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

November 27, 2012

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

Certified Public Accountants  
401 Wanaque Avenue  
Pompton Lakes, New Jersey 07442  
973-835-7900  
Fax 973-835-6631

Newton Office  
100B Main Street  
Newton, N.J. 07860  
973-579-3212  
Fax 973-579-7128

K-2  
Page 1 of 2

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

Honorable President and  
Members of the Board of Education  
Borough of Butler School District  
County of Morris  
Butler, New Jersey

### Compliance

We have audited the compliance of the Board of Education of the Borough of Butler School District in the County of Morris, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) OMB Circular A-133 Compliance Supplement* and the *New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. Borough of Butler Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Butler Board of Education's management. Our responsibility is to express an opinion on the Borough of Butler School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions the New Jersey State Treasury Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Butler Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough of Butler Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Borough of Butler School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012.



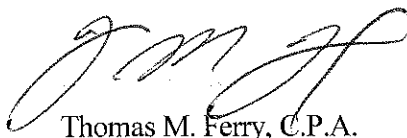
**Internal Control Over Compliance**

The management of the Board of Education of the Borough of Butler School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Borough of Butler Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough of Butler Board of Education's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Borough of Butler Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of finding and questioned costs. We did not audit the Borough of Butler Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Borough of Butler Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas M. Ferry, C.P.A.  
Licensed Public School Accountant  
No. 20CS00209100

*Ferraioli, Wielkotsky, Cerullo, & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

November 27, 2012

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**for the Fiscal Year Ending June 30, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From-To	June 30, 2011		Cash Received	Budgetary Expenditures	June 30, 2012		MEMO Cumulative Total Expenditures
					(Accounts Receivable)	Deferred Revenue			(Accounts Receivable)	Deferred Revenue	
<b>U.S. Department of Agriculture</b>											
Passed - through State Department of Education:											
<b>Enterprise Fund:</b>											
U.S.D.A. Commodities Program	10.550	N/A	15,992.85	7/1/11-6/30/12		6,108.67	15,992.85	(20,294.53)		1,806.99	20,294.53
National School Lunch Program	10.555	N/A	75,965.33	7/1/11-6/30/12			73,281.75	(75,965.33)	(2,683.58)		75,965.33
National School Lunch Program	10.555	N/A	65,951.86	7/1/10-6/30/11	(3,828.10)		3,828.10				
Special Milk Program	10.556	N/A	996.74	7/1/11-6/30/12			956.99	(996.74)	(39.75)		996.74
Special Milk Program	10.556	N/A	677.15	7/1/10-6/30/11	(29.56)		29.56				
<b>Total Enterprise Fund</b>					(3,857.66)	6,108.67	94,089.25	(97,256.60)	(2,723.33)	1,806.99	97,256.60
<b>U.S. Department of Education</b>											
Passed - through State Department of Education:											
<b>General Fund:</b>											
Educational Jobs Fund	84.410	N/A	83,190.29	7/1/11-6/30/12			73,846.33	(83,190.29)	(9,343.96)		83,190.29
Medicaid Assistance Program	93.778	N/A	22,435.47	7/1/11-6/30/12			22,435.47	(22,435.47)			22,435.47
<b>Total General Fund</b>							96,281.80	(105,625.76)	(9,343.96)		105,625.76
<b>U.S. Department of Education</b>											
Passed - through State Department of Education:											
<b>Special Revenue Fund:</b>											
Title I - Part A - Improving Basic Programs	84.010	NCLB0630-12	61,681.00	9/1/11-8/31/12			46,994.00	(61,681.00)	(14,687.00)		61,681.00
Title I - Part A - Improving Basic Programs	84.010	NCLB0630-11	64,663.00	9/1/10-8/31/11	(40,055.78)		47,032.78	(24,607.22)	(17,630.22)		64,663.00
Title I - Part A - Improving Basic Programs	84.010	NCLB0630-10	69,328.00	9/1/09-8/31/10	(21,289.38)		21,289.38				69,328.00
Title I - Part A - Improving Basic Programs	84.010	NCLB0630-09	68,025.00	9/1/08-8/31/09	(425.00)		425.00				68,025.00
ARRA - Title I - Part A	84.389	ARRA0630-10	20,149.00	9/1/09-8/31/10	(2,685.15)		2,685.15				20,149.00
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	NCLB0630-12	27,564.00	9/1/11-8/31/12			20,251.90	(23,935.50)	(3,683.60)		23,935.50
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	NCLB0630-11	30,735.00	9/1/10-8/31/11	(14,840.90)		14,840.90				29,434.00
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	NCLB0630-10	30,248.00	9/1/09-8/31/10	(5,542.60)		20,135.70	(14,593.10)			30,248.00
Title II - Part D - Enhancing Education Through Technology	84.318	NCLB0630-09	30,520.00	9/1/08-8/31/09			397.00	(397.00)			30,520.00
Title II - Part D - Enhancing Education Through Technology	84.318	NCLB0630-11	139.00	9/1/10-8/31/11	(130.00)		130.00				130.00
Title II - Part D - Enhancing Education Through Technology	84.318	NCLB0630-10	695.00	9/1/09-8/31/10			95.00	(95.00)			695.00
Title IV - Safe and Drug Free Schools	84.186	NCLB0630-12	15,907.00	9/1/11-8/31/12	(195.68)		4,317.00	(12,943.59)	(8,626.59)		12,943.59
Readiness and Emergency Management for Schools	84.184E	NCLB0630-10	2,690.00	9/1/10-8/31/11	(84,770.95)		193.68				2,690.00
ARRA - I.D.E.A. Part B	84.391	ARRA0630-10	179,800.00	9/1/09-8/31/10	(1,500.00)		1,500.00	(25,304.15)	(16,792.55)		236,829.00
ARRA - I.D.E.A. Part B - Preschool	84.392	ARRA0630-10	236,829.00	9/1/09-8/31/10	(57.00)		57.00				236,829.00
I.D.E.A. Part B, Basic Regular	84.027	I.D.E.A.0630-12	235,901.00	9/1/11-8/31/12			231,866.00	(231,417.10)	448.90		231,417.10
I.D.E.A. Part B, Basic Regular	84.027	I.D.E.A.0630-11	238,331.00	9/1/10-8/31/11	(234,436.00)		237,448.64	(3,893.13)	(880.49)		238,329.13
I.D.E.A. Part B, Basic Regular	84.027	I.D.E.A.0630-10	235,177.00	9/1/09-8/31/10	(6,085.64)		12,643.00	(6,557.36)			235,177.00
I.D.E.A. Part B, Basic Regular	84.027	I.D.E.A.0630-09	240,328.00	9/1/08-8/31/09	(496.00)		496.00				240,328.00
I.D.E.A. Part B, Preschool	84.173	I.D.E.A.0630-12	8,351.00	9/1/11-8/31/12			8,351.00	(8,351.00)			8,351.00
I.D.E.A. Part B, Preschool	84.173	I.D.E.A.0630-11	8,461.00	9/1/10-8/31/11	(8,461.00)		8,461.00				8,461.00
<b>Total Special Revenue Fund</b>					(420,971.08)	6,108.67	772,894.68	(413,775.15)	(62,300.45)	448.90	1,731,966.42
<b>Total Federal Financial Awards</b>					(424,828.74)	6,108.67	963,265.73	(616,657.51)	(74,367.74)	2,255.89	1,934,848.78

See accompanying notes to Schedules of Expenditures of Federal awards and State Financial Assistance.

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance**  
**for the Fiscal Year Ending June 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	June 30, 2011			Adjustments/ Repayment of Prior Years' Balances	June 30, 2012		MEMO Cumulative Total Expenditures
				Deferred Revenue (Accts Receivable)	Due to Grantor at	Cash Received		(Accounts Receivable)	Due to Grantor at	
<b>State Department of Education:</b>										
<b>General Fund:</b>										
Special Education Categorical Aid	12-495-034-5120-089	526,895.00	7/1/11-6/30/12			478,226.00	(526,895.00)			526,895.00
Equalization Aid	12-495-034-5120-078	1,326,874.00	7/1/11-6/30/12			1,204,310.00	(1,326,874.00)			1,326,874.00
Post School Outcomes Cohort 5		1,800.00	7/1/11-6/30/12			1,800.00	(1,800.00)			
Extraordinary Special Education Costs Aid	12-100-034-5120-473	289,278.00	7/1/11-6/30/12			236,989.00	(289,278.00)			289,278.00
Extraordinary Special Education Costs Aid	11-100-034-5120-473	236,989.00	7/1/10-6/30/11	(236,989.00)			(14,268.00)			
Reimbursement of Non-Public Transportation	12-495-034-5120-014	14,268.00	7/1/11-6/30/12			13,050.00	(14,268.00)			14,268.00
Reimbursement of Non-Public Transportation	11-100-034-5120-014	13,050.00	7/1/10-6/30/11	(13,050.00)			(257,644.00)			
On-Behalf TPAF - Pension and Annuity Fund	12-495-034-5095-006	257,644.00	7/1/11-6/30/12			257,644.00	(573,515.00)			573,515.00
On-Behalf TPAF - Post Retirement Medical	12-495-034-5095-001	573,515.00	7/1/11-6/30/12			27,649.00	(27,649.00)			27,649.00
On-Behalf TPAF - NCGI Premium	12-495-034-5095-007	27,649.00	7/1/11-6/30/12			603,871.04	(635,698.60)			635,698.60
Reimbursed T.P.A.F. - Social Security	12-495-034-5095-002	635,698.60	7/1/11-6/30/12			32,438.40				
Reimbursed T.P.A.F. - Social Security	11-495-034-5095-002	651,748.75	7/1/10-6/30/11	(32,438.40)			(335,373.56)			3,394,171.60
Total General Fund				(282,477.40)		3,429,492.44	(3,653,621.60)			
<b>Debt Service Fund:</b>										
Debt Service Aid Type II	12-100-034-5120-125	54,427.00	7/1/11-6/30/12			54,427.00	(54,427.00)			54,427.00
Total Debt Service Fund						54,427.00	(54,427.00)			
<b>Capital Projects Fund</b>										
New Jersey Schools Development Authority	0630-025-09-1003	38,950.00	N/A	(38,950.00)			(38,950.00)			38,950.00
New Jersey Schools Development Authority	0630-030-09-1004	59,410.00	N/A	(59,410.00)			(59,410.00)			59,410.00
New Jersey Schools Development Authority	0630-020-09-1002	119,140.00	N/A	(119,140.00)			(119,140.00)			119,140.00
New Jersey Schools Development Authority	0630-020-09-1001	47,471.00	N/A	(47,471.00)			(47,471.00)			47,471.00
Additional state school building aid - EDA Grant	04-542-003-0020-824	3,206,017.00	N/A	(232,194.00)			(232,194.00)			232,194.00
Total Capital Projects Fund				(497,165.00)			(497,165.00)			497,165.00
<b>Special Revenue Fund:</b>										
N.J. Nonpublic Aid:										
Textbook Aid	11-100-034-5120-064	9,322.00	7/1/10-6/30/11	684.33		8,163.00	(8,103.12)		59.88	8,637.67
Textbook Aid	12-100-034-5120-064	8,163.00	7/1/11-6/30/12							8,103.12
Auxiliary Services (Chapter 192):										
Compensatory Education	12-100-034-5120-067	18,062.00	7/1/11-6/30/12			16,062.00	(16,062.00)			18,062.00
Nonpublic Nursing	12-100-034-5120-070	11,660.00	7/1/11-6/30/12			11,660.00	(11,660.00)			11,660.00
Handicapped Services (Chapter 193):										
Supplemental Instruction	11-100-034-5120-066	5,559.00	7/1/10-6/30/11	70.08		5,262.00	(5,262.00)			5,488.92
Supplemental Instruction	12-100-034-5120-066	5,262.00	7/1/11-6/30/12			8,694.00	(5,314.97)		3,379.03	5,262.00
Examination and Classification	12-100-034-5120-066	8,694.00	7/1/11-6/30/12	1.19		7,109.00	(1.19)			7,815.81
Examination and Classification	11-100-034-5120-066	7,817.00	7/1/10-6/30/11				(6,950.24)		158.76	6,950.24
Corrective Speech	12-100-034-5120-066	7,109.00	7/1/11-6/30/12				(1,095.52)			5,945.48
Corrective Speech	11-100-034-5120-066	7,041.00	7/1/10-6/30/11	1,095.52		56,950.00	(1,851.12)		3,597.67	75,925.24
Total Special Revenue Fund				1,851.12			(53,532.33)			
<b>State Department of Agriculture</b>										
<b>Enterprise Fund:</b>										
National School Lunch Program	11-100-010-3350-023	4,039.48	7/1/10-6/30/11	(243.10)		243.10	(3,877.11)			3,877.11
National School Lunch Program	12-100-010-3350-023	3,877.11	7/1/11-6/30/12			3,741.49	(3,877.11)			3,877.11
Total Enterprise Fund				(243.10)		3,984.59	(3,877.11)			
Total State Financial Assistance				(779,885.90)		3,544,854.03	(3,765,278.04)		3,597.67	4,025,571.95

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Board of Education, Borough of Butler School District. The Board of Education is defined in Note 1 to the Board's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Financial Assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 2 (C) and 2(D) to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ in amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A.18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A.18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(50,678.00) for the general fund and \$60,919.29 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$105,625.76	\$3,602,943.60	\$3,708,569.36
Special Revenue Fund	472,036.19	53,352.33	525,388.52
Debt Service Fund	-	54,427.00	54,427.00
Food Service Fund	<u>97,256.60</u>	<u>3,877.11</u>	<u>101,133.71</u>
Total Financial Awards	<u>\$674,918.55</u>	<u>\$3,714,600.04</u>	<u>\$4,389,518.59</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5. OTHER**

The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2012. The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.



**BOROUGH OF BUTLER SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section I - Summary of Auditor's Results***

**Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- 1) Material weakness(es) identified?            yes   X   no  
2) Significant deficiencies identified?            yes   X   none reported

Noncompliance material to financial statements noted?            yes   X   no

**Federal Awards**

Internal Control over major programs:

- 1) Material weakness(es) identified?            yes   X   no  
2) Significant deficiencies identified?            yes   X   none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported  
In accordance with section .510(a) of Circular A-133?            yes   X   no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
<u>84.027</u>	<u>I.D.E.A. - Part B - Basic</u>
<u>84.173</u>	<u>I.D.E.A. - Part B - Preschool</u>
<u>                    </u>	<u>  </u>
<u>                    </u>	<u>  </u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk audited?   X   yes            no

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

*Section I - Summary of Auditor's Results*

**State Awards Section**

Dollar threshold used to distinguish between type A  
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X yes             no

Internal Control over major programs:

1) Material weakness(es) identified?

       yes      X no

2) Significant deficiencies identified that are  
not considered to be material weaknesses?

       yes      X none reported

Type of auditor's report issued on compliance for major programs:

unqualified

Any audit findings disclosed that are required to be reported  
in accordance with NJ OMB's Circular 04-04?

       yes      X no

Identification of major programs:

STATE GRANT/PROJECT NUMBER(S)

NAME OF STATE PROGRAM

12-495-034-5095-002

(1)

TPAF Social Security

12-495-034-5120-473

(2)

Extraordinary Special Education Cost Aid

12-495-034-5120-089

(3)

Special Education Categorical Aid

12-495-034-5120-078

(3)

Equalization Aid

12-495-034-5095-001

(3)

On-Behalf Post-Retirement Medical

(1) Audited as a Type A Grant

(2) Audited as a Type B Grant

(3) Not required to be audited as a major grant

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(continued)**

***Section II - Financial Statement Findings***

NONE

***Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs***

NONE

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Status of Prior Year Findings**

There were no prior year audit findings.